

JPRS 80898

25 May 1982

China Report

ECONOMIC AFFAIRS

No. 235

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CHINA REPORT

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON RURAL COMMODITY ECONOMY

HK130605 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 82 pp 13-17

[Article by Liu Zhicheng [0491 1807 3397]: "Developing a Rural Commodity Economy: A Matter of Strategy"]

[Text] Only When Rural Commodity Economy Is Developed, Can Agriculture Play a Role as the Foundation of the National Economy

Agriculture exerts a great influence on the development of the national economy, thus showing its important mechanism as the foundation of the national economy. At present, agriculture creates a large part of national accumulation and foreign exchange income. In spite of the fact that the proportion of the agricultural gross output value in the industrial and agricultural gross output value has declined from 70 percent in the early days of new China to the present 30 percent, the proportion of agricultural net output value is still higher than that of both heavy and light industry. Within the output value of light industry, about 70 percent of the products are made with agricultural products. The No 1 item of consumer goods in China is food; foodstuffs and raw materials of the food industry are mainly agricultural sideline products. The No 2 item is clothing, for which raw materials are also supplied by agriculture. Quite a large part of goods for everyday use are also provided by agriculture. This fact indicates that the key of developing the national economy and improving the living standard of the people in both urban and rural areas lies in doing a good job in developing agriculture.

Commodity production is a special phenomenon in a certain historic period. Under the condition that commodity production prevails, the part of surplus agricultural products which exceeds its own needs will take the form of commodities. Marx said: "Productivity of agriculture, which exceeds the laborers' personal needs, is a foundation of all societies." (Marx: "Das Kapital" Vol 3, p 885) Here, in his concise words, Marx explicitly pointed out that, the agricultural mechanism as a foundation of the national economy is the agricultural productivity exceeding laborers' personal needs. "All societies" in Marx words, beyond doubt, do not merely refer to capitalist society but also include socialist and communist societies. Since commodity production will exist in socialist society, the agricultural productivity exceeding laborers' personal needs in socialist society takes the form of the commodity rate of agricultural products. It is apparent that various agricultural products needed by the urban and rural people

have to be supplied on the basis of developing commodity production in agriculture. The agricultural commodity economy is also a precondition for the existence and development of other branches in the national economy. Only the part of surplus agricultural products, which exceed the needs of the laborers in agriculture, can enter into markets at home and abroad and circulate as commodities. Thus, the more surplus products agriculture can supply and the more developed the rural commodity economy is, the more rapidly can other branches of the national economy grow and can the people's living standard improve. It can be said that, the role of socialist agriculture, as a foundation of the national economy, in essence, is reflected in commodity products which agriculture is able to supply. Comrade Mao Zedong said, "Only when agricultural products which are marketable have become more and more, can industry be provided with sufficient labor force and be developed." ("Selected Works of Mao Zedong" Vol 5, p 360) What he referred to is exactly that role.

It should be pointed out that the rural commodity economy in China is still rather underdeveloped; manual labor prevails in peasants' work with low productivity; agriculture is still in an economic state of semiautarky. At present, the net rate of marketable grain in grain produce is only 15 percent, and the grain consumption needs of the urban population and industry cannot be met yet. Thus, in a given period, we have no alternative but to import certain quantities of grain to make up this deficiency. In 1978 the state purchased grain, cotton, oil-bearing crops, tobacco, hemp, tea, livestock products, aquatic products and other agricultural sideline products with a gross value of 55.5 billion yuan. On the basis of this, agricultural per capita output of agricultural sideline products is only valued at about 70 yuan. This indicates that the agricultural commodities supplied by 800 million peasants in a year are very limited. In recent years, in spite of the fact that rich harvests have been reaped for many years running and the peasants' livelihood has been improved, commune members' average yearly income from collective distribution is only 80 yuan. Our undeveloped rural commodity economy and low agricultural commodity rate not only affect the growth of industry and the improvement of the people's livelihood, but they also affect, first of all, the peasants' income and the reproduction capability in agriculture.

Most of our agriculture is under the socialist collective ownership system. Production and exchange of agricultural commodities are also conducted on the basis of socialist public ownership. Developing the rural commodity economy and strengthening agriculture's role as the foundation of the national economy under the guidance of a unified socialist plan should be a matter beyond any question. The inevitability and necessity of developing the rural commodity economy, however, have been denied and the commodity economy has been considered as an equivalent of capitalism in the past, owing to the influence of the "leftist" mistakes over many years. Guided by this erroneous idea, socialist things were treated as capitalist things; household sideline occupations handled by commune members were cut off as capitalist tails; communes and teams which properly handled diversified undertakings, were criticized as typical cases of developing capitalism; and country fair trade, which can accelerate exchange of materials and goods

and invigorate the rural economy, was blocked as a road leading to capitalism. As a result, the development of the rural diversified economy was restricted; and the rural commodity economy, which was rather weak already, was almost stifled.

At the current stage, our socialist national economy is composed of the state-owned economy, the collective economy and the individual economy. The state-owned economy and the collective economy are the basic forms of the Chinese economy; while the individual economy of working people, operating within certain prescribed limits, is a necessary complement to the public economy. Each of them represents different economic interests of their own. This will derive various contradictions, but they all bear a common aim--to serve the socialist construction and the people's livelihood. This aspect shows that a close relationship of dividing labor in society and carrying out social cooperation exists between different branches of the national economy and between enterprises. On the other hand, it also shows that, in a socialist society, there are different owners of the means of production, who are also the owners of the products produced by each of them; none of them can obtain other's products without compensation. Products of the state-owned economy cannot be occupied by the collective economy and the individual economy without compensation; products of the collective economy cannot be transferred and requisitioned by the state without compensation; neither can products of the individual economy be dominated by the collective arbitrarily. Their economic connection shaped from the social division of labor must take the form of buying and selling or be reflected by commodity exchange. When talking about commodity exchange between the socialist state economy and the collective economy, Stalin pointed out: "In order to ensure the economic combination between urban and rural areas and between industry and agriculture, commodity production (exchange through buying and selling), which is the **/only acceptable/** [words within slantlines denote boldface type] form of limiting the economies of the urban and rural areas as far as the peasants are concerned, should be maintained within a given period of time." (Stalin: "Problems of the Soviet Socialist Economy," People's Publishing House, 1961 edition, p 6) These words are also suited to China's conditions. So long as the form of commodity exchange is properly applied, commodity production and extensive exchange of materials and goods between urban and rural areas can be promoted. Thus, not only can the people living in cities and working in factories and mines be supplied with more agricultural sideline products for daily consumption, and can the state be supplied with more raw materials for industry and goods for export, but the rural economy can also be invigorated, so as to increase peasants' income, build up collective accumulation, raise funds for agricultural expanded reproduction and provide industry with a broad market. The development of agriculture, industry and the entire national economy can thus be further accelerated.

Developing Rural Commodity Economy Is a Strategic Need in Realizing Widespread Development of Agriculture

The socialist agricultural production should be a fairly developed commodity production which can offer more and more products for the markets. However, we only implemented a narrow agricultural strategy in the past and only paid

attention to growing crops, even only to growing grain crops. Many places were forced to handle unitary operations with grain as the only item of production, blindly ruin forests, weed out grass, reclaim land from lakes and beaches, one-sidedly utilize natural resources and handle the economy in a way that abused natural resources. Thus, imbalance was caused in agriculture, natural resources were damaged and peasants were heavily burdened. As a result, the grain problem was not solved, the means of making a fortune in rural areas was strangled, agricultural reproduction was slowed down for lack of funds, and agriculture lost the conditions for rapidly increasing output because of the ecologic imbalance. Practice has proved that the narrow agricultural strategic policy of "taking grain as the key link" implemented one-sidedly in the past does not conform with the specific conditions of China, and does not conform with natural laws and the needs of the state and the people. The idea of unitarily developing grain production proceeded from the indiscriminate demand of realizing grain self-sufficiency in all parts of the country without considering their different specific conditions. It can be seen that this narrow agricultural strategy is associated with the ideology formed in the natural economy; in a sense, it is an economic thinking derived from and further evolved on the basis of the autarkic natural economy. It cannot make full and reasonable use of manpower and material resources to achieve the best economic results. Broad agricultural strategy is associated with the thinking of developing a commodity economy. Division of labor and specialization in production are the basis for the overall development of farming, forestry, animal husbandry, sideline occupations and fishery in line with local conditions. In a society where commodity production exists, division of labor and specialization in production are inevitably associated with commodity exchange. The overall development of farming, forestry, animal husbandry, sideline occupations and fishery is also based on making use of local favorable conditions. This comprehensive development can make full use of local labor and natural resources and achieve fairly high productivity, thus creating a material condition for providing a greater volume of commodities. The development of diversified undertakings in agriculture is not only related to the existence of a commodity economy, but also to the realization of a commodity economy. That is because the development of diversified undertakings in agriculture is achieved by socialist agricultural enterprises and individual laborers. Under the condition of socialism, no matter whether they be state-run or collective agricultural enterprises, or individual operations, their production is all commodity production, and each enterprise or individual has its own material interests. Their products must be submitted to exchange, thus they can reap their economic benefits and promote the growth of their production. Greatly developing the commodity economy is conducive to arousing the initiative of agricultural enterprises and individual laborers in diversified agricultural production and encouraging them to develop agriculture in depth and in breadth by following the objective natural laws and economic laws.

There are abundant and various natural resources as well as labor force in our country. In our 14.4 billion mu of territory, except for the 19 percent of deserts and wasteland, the Gobi Desert, frozen highlands, glaciers and stony mountains and the 7 percent of land used for building cities, factories,

mines and transport facilities, the remaining 74 percent of land, about 10 billion mu, can all be used for agricultural, forestry, fishery and animal husbandry production respectively. For a long time, however, 1 billion people throughout the country have been working on 1.5 billion mu of cultivated land solely for the purpose of tackling the grain problem, and let several billion mu of wasteland and grasslands suitable for farming and raising livestock and a large area of lakes and ponds suitable for raising fish go to waste. Thus, abundant natural resources cannot be properly utilized and exploited. This is a very important reason why China's agriculture has not been able to free itself from the backward situation. In this regard, we must break from the narrow agricultural system of thinking that only one-sidedly emphasizes grain production and unitary crop cultivation when working out our new agricultural strategy. Instead, we should set up a broad agricultural system of thinking aiming at rationally utilizing our entire territory, thus changing the narrow agricultural strategy into a broad agricultural strategy.

The prospect of developing rural commodities is very broad in China. There is a tremendous amount of land and water areas in all parts of the country, which can be used for developing farming, forestry, fishery and animal husbandry production. The opportunities for developing sideline occupations are also very good. Our conditions for handling diversified operations are superior. In order to effectively promote commodity production, however, it is imperative to follow the principle of suiting measures to specific conditions, to exploit and utilize natural resources on a scientific basis, and to develop commodity production in line with natural and economic laws. In this regard, we should now first do a good job in the following two aspects: 1) Make a thorough survey of local resources. All localities (a county, a commune and a production team) should have a scientific recognition of their local natural and economic conditions, then they can clearly know what are their strong points and what are their weak points. Only on this basis can they work out feasible plans for developing commodity production with an attitude of seeking truth from facts and displaying strong points while overcoming weak points. Each place must develop what it is suited for, and never blindly handle what is beyond its current capability specially not things that will incur losses. We should also consider the change of material resources, the growth and decline of favorable and unfavorable conditions, and associate current interests with long-term interests--based on current conditions, while taking a broad view towards future and long-term interests. Never should we do stupid things like killing the goose that lays golden eggs and abusing resources without considering the interests of future generations. Otherwise, the ecological environment will be destroyed, thus resulting in no end of trouble in the future. 2) Readjust the rural economic structure. The development of the rural commodity economy and the realization of a broad agricultural strategy need a reasonable structure to combine all farming, forestry, animal husbandry, fishery and sideline occupations, so as to conduct an integrated operation of agriculture, industry and commerce. Practice has proved that, readjusting the internal structure of agriculture, developing diversification and rationalizing agricultural distribution are important steps in speeding up the development of rural commodity production. At present, the emphasis of readjustment should be laid on properly handling the relationship

between developing grain production and developing diversification. These two aspects are contradictory as well as unified. On one hand, grain production is the basis for diversification. The problem of adequate grain production in China has not been solved yet, thus inevitably hindering the development of the rural commodity economy. On the other hand, diversification can promote the development of grain production. For many years, we have not properly implemented the policy of developing diversification, and have not simultaneously and comprehensively developed cash crop production, forestry, animal husbandry, fishery, and sideline occupations together with the emphasized development of grain production by making full use of local favorable conditions. As a result, cotton, oil-bearing crops, and sugar-bearing crops could not meet the needs for a long time; while animal husbandry, in particular, has been in a backward state up to now. The growth of forestry and fishery was also very slow. Sideline occupations, though they did grow, only accounted for a small proportion. Diversification could not play its role in supporting and promoting grain production. This state of affairs whereby a severe imbalance existed within agriculture was a result of irrational operation for a long time. This should be subjected to readjustment. Viewed from the agricultural production structure in 1980, farming income accounted for 73.9 percent of the gross income; among farming income, 70 percent derived from grain crops, cash crops just accounted for 30 percent. Except in suburban areas of large and medium-sized cities, income from forestry, animal husbandry, fishery and sideline occupations was generally fairly low. This indicates that it is imperative to readjust the agricultural economic structure and to greatly develop the rural commodity economy. For this purpose, we should, first, readjust the distribution of production of crops and departments on the basis of working out comprehensive agricultural plans and agricultural zoning; while ensuring the increase of grain output, actively develop rural diversification; and appropriately concentrate cash crop production and speed its development--all this comprises an important link in increasing the variety and volume of agricultural commodities. We should firmly straighten out this phenomenon of grain production being one-sidedly developed in areas where cash crops are more suitable and of cash crop production being arbitrarily conducted in unsuitable areas. Second, in order to increase grain output, besides guaranteeing grain-growing areas, we should mainly pay attention to increasing per unit area yield by handling production in an intensive way, instead of merely relying on expanding cultivated areas, still less should we rely on expanding the cultivated area for minimal returns. This is where the potential for increasing the quantity of marketable grain and other products of diversification lies. In this regard, we should resolutely cease cultivation on sloping fields, hillside fields and fields reclaimed from lakes where it is unsuitable to grow grain crops and resume forestry, animal husbandry, and fishery there. In those places where the season for growing crops is short and the per mu yield is merely several dozen or just over a hundred jin, rotation of grasslands and cultivated lands should be adopted, so as to comprehensively develop farming, forestry and animal husbandry. Third, sloping grasslands and grasslands should be used for developing animal husbandry with great efforts, while water areas should be fully used for developing fishery, so as to raise the proportion of forestry, animal husbandry and fishery in agriculture. Measures should be adopted in line with local conditions to develop enterprises run by communes

and production teams and realize the integrated operation of agriculture, industry and commerce step by step. At present, emphasis can be laid on the initial processing of products of farming, forestry, animal husbandry and fishery. Most of the profit yielded in this processing should be retained in rural areas to promote the prosperity of the rural commodity economy. Fourth, while readjusting the agricultural production structure, it is necessary to set up a number of commodity production bases specialized in cotton, oil-bearing crops, sugar-bearing crops and in forestry, animal husbandry and fishery. They can handle one main item and develop other diversified items. Production can thus be conducted, step by step, in a regionalized and specialized way. Specialized production is a high stage in the development of the commodity economy, and more commodities can be supplied in this way. It should be pointed out that the development of diversification is a many-sided work. We should not consider this as merely the development of cash crop production. Furthermore, many of these undertakings do not occupy land. The key is how can we arrange them in line with local conditions and properly distribute farming, forestry, animal husbandry, fishery and sideline occupations. The fact is, if grain production is slackened, the people's livelihood will not be guaranteed; if commodity production is not developed and diversification is not properly handled, people will not become rich; simply grasping grain production, not only harms diversification, but does not do grain any good either.

Developing Rural Commodity Economy Is the Only Way to Make Peasants Rich

The purpose of socialist production is to satisfy the increasing needs of the people's material and cultural life, including both the personal needs of the laborer and the public needs of society. In a big country like ours where there is a population of 1 billion, including 800 million peasants, matters concerning peasants should first be properly handled. This is fundamentally important--it means matters concerning 80 percent of our population are being properly handled. There has been a debate about the relations between "a big river" and "a small river." In fact, the saying--"a small river will be full if a big river has water, while the small one will be dry if the big one has no water"--is to put the cart before the horse and violate the natural law of the flow of water. In the economic sense, it is, in fact, an excuse for expropriating peasants. From the viewpoint of dialectical materialism, it should be that "a big river will be full if small rivers have water, while the big one will be dry if small ones have no water." Therefore, how to make hundreds of millions of peasants rich is an issue of great importance concerning our current strategy for developing agriculture and calls for immediate solution. If the improvement of the peasants' livelihood is not kept in our mind when we handle agriculture, it will be difficult to establish a solid foundation for rural economic policies. If we want to let the peasants become rich, we cannot but devote great efforts to developing the rural commodity economy. At present, a new change has occurred in rural areas. In many places, peasants not only desire to increase grain production and solve the food problem, they also want to develop diversification and increase their cash income, so as to meet the needs of expanding reproduction and improving their living standard. This shows the necessity of further developing the

agricultural commodity economy with respect to expanding both production and consumption. We can make an analysis of the production teams where the per capita income was more than 300 yuan in 1980; all of them became rich because they properly handled diversification. More teams were able to attain this level in 1981 for the same reason. Along with the implementation of the party's rural policies, the household sideline occupations of commune members have developed rapidly. Income from operations on private plots and from household sideline occupations has comprised a larger and larger proportion of the yearly gross income. In 1980 commune members' income from both collective and household sideline production was 155 yuan per capita, of which, income from household sideline production was 58 yuan, accounting for 37.1 percent. Meanwhile, yearly sideline income of some households was already more than 1,000 yuan; there were even some "outstanding" households which made a yearly income of 10,000 yuan or even tens of thousands of yuan. Experience of many years has proved that, purely grasping grain production does not work and can never make peasants rich. We must greatly develop commodity production but doing a good job of diversification is the material basis for developing agricultural commodity production.

Favorable conditions for developing commodity production exist in our broad rural areas. Adding to the party's rural economic policies that have been widely implemented and greater decisionmaking power of production teams and peasants' initiative which have been further mobilized, it is absolutely feasible and promising to develop the rural commodity economy. In order to change a possibility into a reality, we should also clarify some questions that we have not clearly understood. First of all, we must correctly understand commodity production under a socialist system and continue to eliminate "leftist" influence. We should see that commodity production and exchange in a socialist society is an objective law beyond the control of man's will. We should free the masses from any misgivings and encourage them to establish a sense of honor that the more commodities they can supply to the state, the greater contribution they can make. Those that fear that the development of rural commodity production will lead to polarization and equate the commodity economy with capitalism are erroneous ideas.

The development of rural commodity production can also help mobilize the initiative of both the collective economy and the individual economy. Thus, the peasants' livelihood can be improved in these two aspects. There are 300 million peasants capable of full-time labor in China. Each of them can only have an average share of 5 mu of arable land. As the rural population grows naturally and the agricultural technical reform makes advances, in particular, after various agricultural production responsibility systems are established, surplus labor force will be a very common phenomenon in rural areas. Greatly developing commodity production is an effective method to enlarge working opportunities for this labor force. In line with local conditions of natural resources, communes and production teams can open up broad opportunities for commodity production. They can organize all kinds of special teams, groups, households and personnel to handle processing of agricultural and sideline products or livestock and fish raising, herbal medicine and other cash crop collecting or weaving, knitting and other labor-intensive trades. Then a large number of surplus labor force can thus be organized to develop the rural commodity economy and to make a greater contribution to the improvement of the peasants' livelihood. At

the same time, many items of rural commodity production are suited to scattered operation. So, while developing diversified operations run by communes and production teams, we should actively support the development of commune members' household sideline occupations, and encourage them to do a good job in managing their private plots, hills and livestock. We should allow commune members to handle livestock and fish raising and run transport privately or in partnership, and allow rural craftsmen to engage in handicrafts and to take on apprentices. So long as they do not conduct exploitation through the hiring of labor, do not engage in speculation, do not destroy natural resources, do not violate the state's policies and laws, do not harm the collective economy, and if there is a market need, we should allow them to produce, so as to stimulate the commodity economy to grow faster.

At present, in the economy of rural people's communes, household sideline production of commune members still accounts for a given proportion. In 1980, the volume of business handled in rural fairs amounted to 8.4 percent of the entire social commodity retail gross volume. Commodities provided through commune members' household sideline occupations took a large share. Operations on commune members' private plots and their household sideline occupations are determined by the current level of agricultural productive forces. Their existence is conducive to increasing the growth volume of social products, can help meet the increasing demands for agricultural and sideline products in urban areas and help increase peasants' income, so that their increasing needs for industrial products can also be satisfied. They can also accelerate exchange of goods and materials between urban and rural areas and invigorate market activities. Commune members' operations on their private plots and their household sideline occupations do not essentially belong to the capitalist economy. They are not the same private economy of small producers before the cooperation, but a necessary complement to the socialist economy. They can play a powerful role in helping peasants become prosperous. We should bolster them from all aspects and help them develop healthily.

CSO: 4006/444

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON PRODUCTION, DEMAND CONTRADICTION

HK131453 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 82 pp 33-37

[Article by Deng Shaoying [6772 4801 5391] of the Economics Research Institute of the Hebei Provincial Social Sciences Academy: "On the Contradiction Between Production and Demand and Its Function as a Motive Force"]

[Text] The "resolution on certain questions in the history of our party in the 32 years since the founding of the PRC" adopted at the 6th plenary session of the 11th CCP Central Committee clearly pointed out: "Following the basic completion of the socialist transformation, the principal contradiction confronting our country is that between the daily increasing material and cultural needs of the people and the backward social production." This generalization, riding on the crest of historical materialism, correctly reveals the law of development of socialism from revolution to construction. It not only casts aside the erroneous leftist view of "class struggle still being the principal contradiction and it runs through from the beginning to the end of the socialist period, but also gives a more scientific elucidation of the principal contradiction during the socialist period than the resolution of the 8th National CCP Congress. Moreover, it explains to us the motive force of socialist economic development, particularly the question of the motive force for the development of socialist production and the productive forces.

Concerning the question of the development of production and the productive forces, academic circles have for a prolonged period of time differed in their opinions. In my opinion, the pronouncement of the "resolution" contributes greatly to the solution of this controversy.

Benefits and Demand Have Always Been the Motive and Aim of Production

The basic theory of historical materialism tells us that in order to live and develop, mankind must continuously struggle against nature, and must work so as to obtain the various kinds of necessities for life. This is to say: Mankind must eat, wear clothes, reside and travel and these objective demands are the causes and motive force for mankind's production activities. They propel mankind continuously to engage in production and reproduction. Following mankind's progress and development, its consumption demands will continuously increase. This continuous increase in consumption

demand in turn propels mankind to continuously expand reproduction. And so this process is continuously repeated. Viewed from the material side, the history of production development is the history of mankind continuously and to varying degrees realizing its own demands and continuously and in varying scales and degrees bringing forth new demands. However, in the different stages of social development there is a difference in the concrete form of the demands and the method and tactics employed in fulfilling them. Meeting the old demands will be followed by the breeding of new demands. The unity of opposites between the continuously increasing consumption demands and the production level provides the usual motive force for propelling forward the development of production.

In his analysis of the identity of production and consumption, Marx pointed out that production and consumption reciprocally created each other. Although consumption is restricted and controlled by production, consumption demand also determines production. Because consumption evokes the likes or dislikes of the producer, it attracts the latter's demand for a definite objective. Hence "consumption, as a necessity and as a demand, itself constitutes an innate factor in production activities" (Marx: "Preface to 'Critique of Political Economy,'" "Selected Works of Marx and Engels," Vol 2, pp 97, 94 and 89). Without consumption, there is no production objective and hence no production. Seen from this consumption serving as the motive force for production, precedes production serving as the motive force for consumption. Therefore, Marx on various occasions emphasized that consumption demand created the internal motive for production and the motive force for production. He further said that the crest of development of a national industry was at the time when its important task was the struggle for benefits (ibid).

The function of material benefits and consumption demand as a motive force for production takes on a different form under different social conditions. In a primitive society, because of mankind's weak ability to conquer nature, very simple products were turned out in production and there were very little surplus products beyond what was needed for the bare subsistence of the producers themselves. The exploiting class who profits from other people's toil was at that stage, not yet able to come into existence. Hence, maintaining the subsistence of labor and meeting the absolute consumption demands for reproduction (natural and physiological demands which had to be met) constituted the direct motive force for production development in a primitive society. Following the development of the productive forces, the exploiting class appeared and after the exploiting class began controlling production, the material interests of the ruling class became the propelling force in compelling the workers to engage in production and this gradually promoted the progress of production. Naturally, the function of the interests of the ruling class and the profits of the capitalists as motive force in production is still performed through the hands of the workers and, in the last analysis, the workers bear the burden of material production. But in a society dominated by the exploiting class, the workers are under the control of the ruling class. Hence, the consumption demand of the workers is also part of the material interests of the exploiting class. But only under the conditions of this not being harmful,

but instead beneficial, to the material interests of the exploiting class or when surplus value is actually realized, can this become the motive force for production. The conflict and opposition between the working class and the exploiting class in material interests leads to the class struggle between the working masses and the exploiting people. In the last analysis, class struggle is the conflict between class interests. Hence, the people's interests are the determining factor. What mankind struggles for is related to their interests. Material interests provide the motive force not only for the struggle in production but also for class struggle. What we have said about class struggle or changes in the production relations having the function of exerting an enormous propelling force or motive force on production actually refers to the propelling force in the second stage of production. The contradiction between the productive forces and production relations is, in the last analysis, caused by the demand for benefits.

Following the proletariats' seizure of political power and the completion, basically speaking, of the socialist transformation of the system of private ownership of the means of production, the exploiting class has been eliminated. At this juncture, the workers no longer need to produce for those doing the exploiting but can produce directly for their own interests. Under the socialist system, the so-called material interests or consumption demands of the populace include not only the material interests of the individual workers but also the group interests of the state and of the collectives. They include both current interests and long-term interests. These interests and demands of the populace no longer are under the control of the exploiting class, but are only restricted by the level of production development. The contradiction between the continuously increasing material and cultural demands of the populace and the current level of production necessarily forces the people to vigorously develop production and upgrade the production level. Doubtlessly, the material and cultural demands of the populace and the material and cultural demands of the entire society, which represents the popular, from the direct motive force for the development of socialist production.

Marx once pointed out that the expansion or reduction of capitalist production was determined by the profits of the capitalists and "not by the relations between production and social demand, that is to say, the socially developed demand of the people....When the extent of the expansion of production is still far from sufficient under another set of circumstances the restriction on capitalist production has already appeared" (Marx: "Das Kapital," Vol 3, People's Publishing House, 1975 edition (same below) p 288). It can be seen from these words that Marx believed that under a rational social system, that is to say, a socialist and communist system, the development of production was determined by the relations between production and social demand (that is, the socially developed mankind's demand). In other words, the contradiction between the level of production and social demand should be the motive force for the development of socialist production. Precisely for this reason, Lenin on many occasions emphasized the principle of material interests and pointed out that a socialist society must "fully ensure the overall development of the welfare and freedom of all the constituents of society" (Lenin: "Opinion of Plehanov's Second Program Draft," "Lenin's Collected Works," Vol 6, p 37).

Mao Zedong also said that the populace must be given perceivable material interests. In reality, these correct expositions by both Lenin and Mao Zedong noted from different angles the function of the motive force of material interests. Unfortunately, following the basic completion of the socialist transformation of the means of production, we (including Mao Zedong himself) have not consistently insisted on the above-mentioned correct viewpoint, but believed that only production relations and class struggle constituted the direct motive force for social production. We even went so far as to employ artificially-made class struggle as a deterrent to eliminate the real motive force. This damaged the enthusiasm of the populace and at the same time was utilized by the counterrevolutionaries. As a result, it made socialist production suffer avoidable losses. As a matter of fact, class struggle and changes in production relations are brought about by the material interests of the classes. They display their function as a determinant motive force for production only at the transformation stage of history, that is to say, at the stage of the quality change in production relations and in the forms of social production. In the daily production activities of society, that is, in the stage of the quality change in social production development, what usually performs the function of a direct motive force is the "motive force of motive forces" comprising class struggle and changes in production relations which in effect are the material interests and the economic demands of the social groups controlling production. Engels said this well: "Each and every event confirms how each and every action grows directly out of a material motive and not out of mere words accompanying the material motive" and this fundamental viewpoint is tantamount to "a red string binding together all the party's documentation" (Engels: "Karl Marx: 'Critique of Political Economy,'" "Selected Works of Marx and Engels," Vol 2, p 118). Once separated from this red string which runs through all the party's documentation and through the entire process of social production and which is the only thing which can make us understand this development process, we shall fall into a pit of errors.

The Contradiction Between Aim and Tactics is the Internal Motive Force for the Development of the Productive Forces

That the interests, demands and the contradiction between production activities provides the motive force for their development should be unquestionable. This is because the consumption which is the manifestation of interests and demands is a link in the entire reproduction process. As mentioned previously, production and consumption share an identity and at the same time interests and demands are under the restriction of the productive forces as well as the control of the production relations. Interests and demands themselves constitute the sources of the contradiction between productive forces and production relations. Marx and Engels once said: "The organization of material life in one form or another relies on demand which has already developed." Again, they said that the form of intercourse, that is, the production relations, must conform with definite interests (Marx and Engels: "Fuerbach" "Selected Works of Marx and Engels," Vol 1, pp 78-79). Naturally, interests and demands constitute one form of manifestation of the contradiction between the productive forces and production relations. Since production activities include the two factors

of the productive forces and production relations, the interests and demands are naturally the internal factors of production. Demand and the level of production, or to put it in another way, demand and the contradiction which it produces, belong to the internal contradictions of production. According to the basic theory of materialist dialectics, the internal contradiction of things is precisely the fundamental motive force of their development.

Although productive force and production are closely linked and cannot be separated, they are not entirely identical. Similarly, the internal motive force of productive force, which exists on account of production and serves as the production capacity and the motive force of production, acts in unison with it but is not entirely identical.

First, like social production, interest and demand constitute the motive forces propelling the productive forces forward. Judging from the development of the various constituent factors of productive force, particularly science and technology, machinery and other tools of labor, they all come into being and develop in company with mankind's demand and originate from mankind's demand. In his publications, "Dialectics of Nature," and "Anti-Duhring," Engels repeatedly pointed out that the various natural sciences all grow out of mankind's demand and that the growth and development of science were from the beginning determined by production. "Economic demand has been the major motive force for the growth of the knowledge of the domain of nature and continues to be more and more so" (Engels: "(Letter of 27 Dec 1890) to (K. Schmidt)," "Selected Works of Marx and Engels," Vol 4, p 484). Engels' conclusion was: "When society has an acute demand for technology, then this demand is more capable of promoting the forward progress of science than the combined forces of 10 universities" (Engels: "(Letter of 25 Jan 1894) to (Wa Bo-Er-Ji-Wu-Si) [3907 0590 1422 0679 3527 2448]," "Selected Works of Marx and Engels," Vol 4, p 505).

Labor tools as an important factor of productive force are even more inseparable from mankind's demand. Modern industry began with the industrial revolution of the 18th century precisely because of the rapid increase in market demand and the inability of the handicraft industry to cope with the increased demand. As a result, the steam engine and together with it the textile machines which counted on it furnish the motive power as well as coal-burning machines and other relevant industrial machines were rapidly invented and developed. None of the various kinds of modern machines and technical equipment were invented without being originally intended to meet mankind's certain demand. Machines and equipment not demanded by mankind do not constitute means of labor and therefore cannot become productive force.

The function of demand in propelling the productive forces forward is carried out through the internal factors of the productive forces in the form of activities with a purpose. Slightly different from the motive force of production, the direct motive force of productive force arises from the contradiction between demand and the tactics employed. During the course of the display of productive force, mankind employs certain labor tactics on the products of nature or on other labor objects in order to achieve the purpose of its own activities. Generally speaking, mankind always hopes

to have in its grasp more powerful and more effective labor tools in order to smoothly transform the quality of the products of nature or other objects of labor and thereby attain a use value which is more ideal and more in conformity with demand. However, under definite historical conditions, mankind's labor tactics must suffer certain limitations. Mankind frequently cannot obtain its objectives. At the same time, following the realization of an old objective, a new demand will bring forth a new objective and requires new tactics to handle it. Hence, between objectives and tactics there is always a cycle of "contradiction, balance and again contradiction" which revolves continuously. But this propels labor tactics and manufacturing forward and promotes the development of the labor technique and scientific technology of those controlling and utilizing the labor tactics.

Some comrades may say that an objective is factor that is outside productive force. To employ the contradiction between the objective and the tactics in explanation of the motive force for the development of productive force goes against the principle of materialist dialectics that the internal contradiction of things provides the internal motive force for their development. An apprehension of this kind is unnecessary. Man, as the principal factor of productive force, not only possesses definite production experiences, labor skill and scientific knowledge but also harbors a definite motive in his activities. Activities with a purpose are embodied in the main factor of productive force which is man. Regulating the trend of development of productive force and customarily determining the form and method of the activities of the workers constitute the source of labor actions. To place the purpose of man's activities outside productive force is not right. Naturally, the nature of the purpose of man's activities as an important factor of productive force is that it anticipates the results of the utilization and transformation of natural objects and develops in tandem with the progress of labor tactics and science and technology. Also, it is subject to the influence and restriction of the production relations. But it belongs to the realm of productive force and not to the realm of the production relations. Viewed from this context, it, and interest and demand have liaison with each other but are different from each other.

Another view believes that productive force and production relations denote the relations between content and form. They are two inseparable sides. Outside the relation of the unity of opposites, there does not exist any "internal" or "external" relation between them. We cannot deviate from production relations to look for the internal motive force for the development of productive force. In other words, the contradiction between production relations and productive force constitutes the motive force for the development of productive force. This exposition had wide circulation for a time in the past. As we see it now, it deserves a critical reappraisal.

It cannot be denied that from the standpoint of a united production form, productive force and production relations are inseparable. Within the united production form, productive force and production relations constitute two sides of a contradiction and it is precisely this contradiction which propels the forward development of the production form. The contradiction between productive force and production relations provides the motive

force for the development and changes in the production form. (Note: Production form and production cannot be viewed as entirely identical concepts. In general, production form principally refers to the socioeconomic formation and the socioeconomic system whereas production frequently refers to properties as exemplified by agricultural and industrial production and production actions. There is more inherent in production form than in production activities. The motive force for production development mentioned in this article refers to production actions.) It is also the propelling force for raising the socioeconomic formation from a lower plane to a higher plane. But it must be seen that there is a fixed demarcation between productive force and production relations and we cannot ignore the "realistic disparity" between them. In other words, productive force and production relations can be separated from each other. Each of them constitutes a contradictory united body. Each has its internal special contradictions and possesses a relatively independent character. As everybody knows, productive force is a most active and most revolutionary factor. All the time it is engaged in quantitative changes whereas relatively speaking production relations constantly maintain a stabilized posture and cannot, like productive force, change all the time. During the period of interchange between an old society and a new one, in certain localities, production relations frequently lag behind productive force. This phenomenon of productive force and production relations not being absolutely in step with one another explains that productive force and production relations, aside from mutually restricting each other, are each restricted by their internal contradictions. The evolution of history is thus: First productive force breaks through the old production relations and advances forward; then new production relations are demanded to conform with the newly developed production level. Here, it is seen that productive force takes the initiative and is all the time seeking a new road of development. When the production relations are in conformity with the developed productive force, productive force is still reinforced by an external important propelling force, in addition to its own internal propelling force. And when production relations lag behind the development of productive force, productive force does not remain entirely dormant but depends on the internal propelling force to continuously press forward though in a relatively slow and zigzag manner. This condition denotes that although production relations constitute a powerful external motive force of productive force, productive force definitely possesses its own inherent motive force. To refute that productive force itself possesses an intrinsic motive force is not tenable either in theory or in practice.

Realistic Demand and Aim Are Not Subjective Products

One view holds that demand and aim are things which in most part are subjective and conceptual. Hence, we cannot use subjective and conceptual things to explain the development of material productive force of an objective nature. We cannot subscribe to this view.

Naturally, it cannot be denied that the demands and aims of certain individuals are unrealistic, divorced from the whole and are subjective and wishful. If these demands and aims come from the whole and from society's gross labor power, then, on the basis of the present material conditions, they

conform to the trend and are realistic and objective demands and not subjective but objective products. But if taken as the demand and aim of the motive force for the development of production and productive force, then they naturally refer to the demand and aim of the gross labor force of society (in a class society this refers to the entire social bloc and to the class in control of production) and of the individual labor power reflected in and under the control of the gross labor force.

The demand of mankind as a composite body or reflecting a composite body may generally be divided into two categories, namely, consumption demand, that is to say, demand for material goods, for spiritual goods, and for other labor services; and nonconsumption demand such as for honor, friendship, ideology, and so on. As for the consumption demand, Engels divided it into life materials, enjoyment materials and materials required for developing and demonstrating the forms of physical power and intelligence. In his publications, Marx mentioned man's natural demand and spiritual and social demand and that as for the spiritual and social demand, "its sphere and quantity would be determined generally by the cultural conditions" (Marx: "Das Kapital," Vol 1, pp 260, 559). On this basis, Stalin included in the demand of a socialist society and its constituents all material and cultural demands. My own opinion is that concerning the form of consumption demand it may comprise the two categories of material and cultural demands while as for its contents it should be divided into subsistence materials, enjoyment materials and development materials. A classification of this kind appears to be more appropriate. Mankind's realistic demand, whether seen from its form or from its concrete contents, is not wishful thinking, nor can it surpass at will currently available material conditions.

Both in ancient and modern times, mankind can only be based on the material conditions in its grasp to shape its realistic tasks in waging war on nature. Similarly, mankind can only be based on its current production capacity to determine the demand and aim it can possibly attain. Primitive people could not put forth any demand or aim in excess of their primitive production capacity. "In the initial period of culture, the productive force of labor attained was very low and demand was also very low. Demand developed simultaneously with the tactics for satisfaction of demand and was dependent for development on the development of these tactics" (ibid). Engels stated that the demands and aims of primitive society had been exceptionally low and that subsequently, due to bringing into play the function of the hands, speech organs and brain of not only every individual person but also of society as a whole, mankind was able to increasingly engage in complicated activities and to bring forth higher and higher objectives. Engels criticized the materialism which emerged following the collapse of the ancient world as "being accustomed to explaining their actions on the basis of their ideas and not their needs (naturally, as can be imagined, the demand was reflected in their brain as well)" (Engels: "Dialectics of Nature," "Selected Works of Marx and Engels," Vol 3, p 515).

Obviously, mankind's realistic demands and objectives, though reflected in the brain and commanding the production actions of mankind, are not subjective things but rather objective reflections. On this point, Marx and Engels,

when dwelling on the development of division of work as producing common interests made a rather clear elucidation. They said: "Common interests do not constitute merely 'something general' or exist in concept only but constitute the reciprocally dependent relations among the individuals taking part in the division of work and exist in reality" (Marx and Engels: "Feuerbach," "Selected Works of Marx and Engels," Vol 1, p 37).

CSO: 4006/444

'JINGJI YANJIU' DISCUSSES ROLE OF COMMERCE

HK201257 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 82 pp 61-63

[Report by Bai Zhongyao [4101 0112 1031]: "The Role of Commerce Should be Enhanced During the Period of Readjustment"]

[Text] I

Commerce is the key link in the economic relationships between various national economic departments. During the period of economic readjustment, the role of commerce should be enhanced if we want to solve the problem of economic dislocation and promote the rationalization of our socioeconomic structure.

The function of commerce is to resolve the contradiction between commodities and currency, and to keep a balance between the supply of commodities and the purchasing power of the currency. Commerce becomes very flexible when the supply of commodities and currency is constant. For instance, it can open up new sources of goods. In the market, price equilibrium depends heavily on commerce grasping definite goods and materials and selling them at fixed prices. Without a definite amount of goods and materials, Administrative policies alone cannot achieve the goal. The more resources that are put under control, the better can commodity prices be stabilized. This is true both of commodities in general and of particular commodities. Since in social production, the amount of production is determined by the state, can the commercial sector put more goods and materials into circulation? The answer is affirmative. The reason is that, at any time, the amount of social products and the amount of commodities put into circulation and exchange are two different amounts. This is especially so in a big state such as ours. The economy of which is not fully developed, and many of its products have remained in the production sphere; they have not yet been put onto the market. If the role of commerce is enhanced, it can be arranged for these products to boost the supply in the market. At the same time, the commercial departments can try every possible means to help the light and textile industry increase commodity production which is inadequate, help rural areas achieve the goal of diversification, and help production units produce cheap, good and salable goods, instead of producing goods which are difficult to sell, expensive and of poor quality. In short, there is plenty of scope for commerce to improve production and expand purchases so as to increase the supply of goods and materials on the market.

The main way to stabilize market prices is to promote sales. There are generally three kinds of commodities, namely, goods which sell well, goods which have a fair market and goods which are slow-selling. Normally, the prices of goods which sell well will rise, the prices of goods which have a fair market will remain stable while the prices of slow-selling goods will fall. The commercial departments should try their best to boost the sales of slow-selling goods, so as to absorb some of the purchasing power and relieve the pressure on the goods which have a good market. In this way, the prices of such goods will be stabilized. At present, great amounts of unsold commodities are piled up as a result of our aimless production and purchase. The Ministry of Commerce itself can reduce its reserves by 3.2 billion yuan and can withdraw 3 billion yuan of currency. We have a vast territory and a big market but with loose economic relationships. There is plenty of room for readjustment. Slow-selling goods in a certain place should be sent to another place where there is a good market. Commercial departments can withdraw much money and ensure stable market prices if they adjust their commodities rationally and boost sales.

Commercial departments can also cut down the cost of goods circulation by improving their methods of management--collecting more profit tax and directly increasing the revenue of the state. In 1978, commercial departments paid profit tax of 13.662 billion yuan, which constituted 12.2 percent of the state's revenue. If profit tax increased to become 20 percent of the state's revenue the state would receive an additional 8.76 billion yuan. At present, commercial departments are burdened with losses resulting from incorrect policies. They also have to subvent production departments. It is, therefore, difficult for them to greatly increase the profit tax. However, they have great potential in this. Increasing the revenue by enhancing the role of commerce is an immediately obvious way.

In a socialist system, the state should regulate the whole society's production of commodities and the flow of commodities by planning and at the same time should also utilize the role of regulation by market mechanism. Our state has hundreds of thousands of industrial and transport enterprises, a few million agricultural production brigades and about a hundred million agricultural households. They remain, to various degrees, dispersed and independent. It is obviously a difficult and complicated task for the state to directly plan their production. Commerce is the most important means of socioeconomic life in a state. The normal flow of commodities is from dispersion to centralization, then from centralization to dispersion again. In the process from dispersion to centralization, the commercial departments purchase various kinds of commodities produced by the society. Here, the individual labor of the producers has become social labor. The economic activities of individual enterprises, individual units and individuals have formed a relationship with the state economy as a whole. In the process from centralization to dispersion, the commercial departments allocate the supply of commodities according to the state plan and social needs, so as to satisfy the needs of individual enterprises, units and individuals, and to bring about smooth reproduction in the society.

The aim of regulation by state planning is to ensure that the development of the national economy is proportional. Whether or not the relationships between various national economic departments is suited to the changes that occur within them is quickly and acutely reflected by the market through the contradiction between supply and demand. The commercial departments should organize the flow of commodities. They should actively promote the sale of commodities when the supply is greater than demand. They should increase the supply of goods and satisfy the consumers' needs when demand is greater than supply. In this way the commercial departments can regularly take the initiative to keep a regular balance between supply and demand so as to maintain stable and healthy socioeconomic development.

II

The present commercial situation is not suited to the current needs of economic readjustment. The present economic management system in commerce should be reformed in order to enhance the role played by commerce in the national economic readjustment. The following points are very important:

1. The most basic step is to reform the commercial-economic management system. We should proceed from the actual situation of the flow of commodities in our state. At the present stage, the basic characteristic of our flow of commodities is that the exchange of industrial and agricultural and sideline products makes up the main part of the flow and the main orientation. The resources for our light and textile industries mainly come from our agricultural products. The needs of the urban population in regard to staple foods, such as grain, edible oil, meat, fruit, vegetables and nonstaple foods are mainly filled from the rural areas. The rural areas are the main market for industrial products. Moreover, the level of production development in our state varies greatly. The economic development between localities is unbalanced. The depth and scope of the flow of commodities varies a great deal between different localities and different types of goods. The economic relationships in the process of the flow is complicated by the diversity of economic composition. On account of the imbalance in our national economic relationships, the difference between the supply of commodities and the social consumption power is relatively great. The supply of some commodities always falls short of demand. These are the basic factors which, at the present stage, determine our commercial system. We should formulate the economic management system of the state, or of a locality or of a commodity through the study and examination on such practical situations.

2. The commercial and economic management system should suit the demands of the development of the flow of commodities in our state. It should, first of all, suit the demands of the exchange between industrial goods and agricultural and sideline products. In the past, we did not establish a strong commercial institution to specially arrange the exchange of such goods and thus to serve as a basis for our socialist commerce. Although the strength of the various major commercial systems such as commerce, supply and marketing, grain, commodities and foreign trade is quite great, these systems suffer from many mutual restraints in the rural markets and in many ways offset each others strengths. The reform of the commercial system should, therefore, be focused

on the establishment of special commercial organizations, the function of which is to "deliver industrial goods to the rural area and to send agricultural products to the urban areas." Such commercial organizations should purchase the daily-use commodities and other production materials in the urban area for the peasants in the rural area, so as to effect a real exchange between industrial goods and agricultural products.

3. We must break down barriers and overcome and confining situation, so that all kinds of commercial activities can be carried out in accordance with the natural demands of the flow of commodities. First of all, we must not make too rigid the lines of division between commodity operations. In domestic markets, with the exception of a few important commodities that are related to the national economy and people's livelihood and therefore are under the unified management of certain departments assigned by the state, monopoly should not be advocated. Commercial entities should be given a free hand in managing their own activities to the extent that their strong points can be developed fully. Moreover, the situation of commercial enterprises being subsidiary institutions of regional administrative organs should be changed. This has been the cause of segregated markets, and local demarcation and thus commerce has lost its role of reacting to production. Therefore, the relative independence of commerce and enterprises should be maintained. Otherwise, plans for a rational organization of the flow of commodities will be fruitless.

4. We must establish a proper responsibility system of commercial management. We should make proper use of socialist public capital and property to rationally organize the flow of commodities to serve production and consumption. All commercial enterprises should be held fully responsible for the economic effect in utilizing public capital and public property. On this basis, different management responsibility systems can be practiced in accordance with the actual demands of the flow of commodities, and the socialist enthusiasm of the huge commercial workforce can be mobilized to effectively manage socialist commerce.

After the commercial system is restructured, the commercial enterprises can become more relatively independent and their scope of activities will be widened.

The state must protect legal management and smash illegal activities. To ensure that people will follow a certain code of behavior in commercial activities, commercial regulations must be provided. As a result, there will be rules for guiding the state's implementation, rules for enterprises and the workforce to abide by and rules for supervision by the masses. This will facilitate the state's control and guidance of commerce which will then become a genuine economic strength and economic means for the state.

CSO: 4006/466

ECONOMIC PLANNING

REPORT ON SICHUAN GOVERNMENT WORK AT PEOPLE'S CONGRESS

Chengdu SICHUAN RIBAO in Chinese 3 Mar 82 pp 1-3

[Report on government work by Lu Dadong [7627 1129 2639], governor of Sichuan Province, at the Fourth Session of the Fifth Provincial People's Congress on 24 February 1982]

[Text] Fellow Deputies:

On behalf of the provincial people's government, I am now to report on the work of the government for your deliberation and examination.

A Year of Struggle in Unity in 1981

Since April 1981, the provincial people's government, under the leadership of the party Central Committee, the State Council, and the Sichuan Provincial CCP Committee, and in accordance with the resolutions of the 3rd Plenary Session of the 5th Provincial People's Congress, has mobilized and organized people of all nationalities in the province to follow the line of the 3rd Plenary Session of the 11th Party Central Committee, to act in accordance with the spirit of the party Central Committee's work conference in December 1980 and of the 6th Plenary Session of the 11th Party Central Committee, and to implement the policy of further economic readjustment and further political stability and unity. New progress has been made in the work on various fronts, as mainly shown in the following: The national economy continues its advance in the course of readjustment and the political situation has become more stable. Despite a reduction of energy resources, insufficient task for heavy industry and the difficulties brought forth by a particularly serious flood and a long spell of drizzling and low temperature, industrial and agricultural production was still slightly above the 1980 level, then the highest in history. The total agricultural output increased by 1.5 percent; the grain output totaled 65.9 billion jin, an increase of more than 0.6 billion jin over last year; and the output of cash crops and economic diversification increased by 2.5 percent. The total industrial output value was 26.8 billion yuan, a 2 percent increase, including a 12.4 percent increase in light industry. There was an all-round increase in procurement, marketing, transferring and stocking in the commercial sector, and the market was brisk. The scale of capital construction was brought under control and there was readjustment in the orientation of investment. Thanks to the efforts of various areas and departments in increasing revenues and curtailing expenditure in order to

give us great support in the way of money and supplies. The broad masses of people, many overseas Chinese and Hong Kong and Macao compatriots, foreign friends and friendly countries sent us comforting cables and donations of money and supplies. On behalf of the provincial people's government, I hereby express our thanks.

In combating the flood and directing the rescue operation, the provincial government unswervingly implemented the two "by every possible means" policies, adopted emergency measures, and organized and led the masses in an all-out stirring battle against the flood, in rescue work, and in the struggle to restore production and rebuild our homes. First, huge amounts of manpower and supplies were mobilized, and with the strong support of the PLA, over 1 million people stranded in the flood were brought to safety. We also saved huge quantities of important supplies of the state and the collectives, overcame many grave dangers, and played an important role in enabling the Gezhouba engineering project to safely harness the flood. Second, the state sent us large quantities of food, clothing, drugs and various building materials; made arrangements for people's living, and dispatched a large medical team to carry out timely treatment for the sick and wounded, thereby preventing a post-disaster epidemic and giving the people moral encouragement. At the same time, a call was issued for support to be given from various quarters to the disaster area, for victims of mild disasters to help victims of serious disasters, and for people in disaster-free areas to help people in the disaster areas. Thus production, self-relief, and the rebuilding of homes proceeded rapidly, and the problem of housing for the victims (including the use of improvised houses) were more than 90 percent solved. Third, special policies were adopted for the disaster areas in the countryside. The masses were mobilized in a crash program to plant the late autumn crop in the land which had been flooded and anyone planting the crop will reap the harvest later. Production quotas were promptly reduced for the areas which had been submerged and therefore could not produce as much as originally planned. For the reclamation of the destroyed farmland, the method similar to "providing work instead of relief" was used to organize the masses. More than 5 million mu in the province was planted to late autumn crop for a change, and economic diversification was encouraged in an attempt to remedy part of the losses. Hundreds of thousands of mu of farmland has been reclaimed and levelled, and part of it has been sown for the winter crop, and other parts may be ready for the spring crops. Last winter and spring, a mighty labor force of a million strong battled with nature and harnessed the river and a people's war began for the repair of the engineering projects damaged by the flood. The amount of water storage has approached that in 1980, and the availability of water for irrigation in the spring was basically assured. The industrial and communications enterprises started a "what to do after the disaster" discussion and an emulation campaign to win merits in 100 days in order to pluck up people's courage. Thus production improved every month, and in November and December, new production records were set. The damaged railways, highways and power cables were repaired in good time; the stores have resumed business; and the elementary and secondary schools are mostly operating as usual.

In this special struggle against the flood and in carrying out the rescue operations, the cadres at various levels and the broad masses of party members

share the state's difficulties, the financial revenues in the province amounted to 3.15 billion yuan. Though insufficient to cover the expenditures, this amount has turned out to be more than anticipated. People's living conditions continued to improve along with the development of production. The average income of each peasant from the collective increased by more than 3 percent over that of 1980, and their income from household sideline occupation and other sources increased even more. Some 300,000 persons were given jobs in the cities. Upgrading wages for the teachers of elementary and secondary schools and part of the medical and sports personnel is now in progress. The purchasing power of people in both urban and rural areas was markedly increased and the volume of retail sales increased by 9 percent. The balance of savings deposits increased by 27.4 percent, and new dormitories for workers with a total floorspace of 5.53 million square meters were built. Cultural development made good progress while science, culture, education public health, and sports all underwent certain development. We had more than 400 important scientific achievements, and approximately 2/3 of them can be applied in production. We also had fairly good success in family planning. Continued efforts were made to develop socialist democracy, to perfect the socialist legal system, to preserve social peace, and to combat the counterrevolutionaries and various types of criminals who had seriously disturbed the social order. Public order in both urban and rural areas has improved. Now that people are feeling at ease because of social stability and the basic stability of commodity prices, we have basically completed the various tasks set at the previous session.

In the past year, we learned many lessons from our experiences mainly as follows:

I. Triumph Over a Serious Flood Rarely Seen in the Last 100 Years

From late June to early September 1981, the province had torrential rains on six different occasions, followed by a flood. The magnitude of this flood and the extent of the damage caused had few parallels in the last 100 years. The disaster area included 135 counties (municipalities and districts); and 57 county cities, 776 small towns, and more than 220,000 production teams were inundated, involving some 20 million victims. Some 1.53 million houses collapsed or were washed away; 17,560,000 mu of crops were destroyed. The water conservation engineering projects were also seriously disrupted; 3,115 industrial and communications enterprises had to suspend operation because of the disaster. The Chengdu-Chongqing, the Baoji-Chengdu, and the Chengdu-Kunming railways had their foundations damaged at more than 40 points; 523 highways operated at or above the county level were cut; a large number of finance and trade enterprises and their warehouses were inundated; and more than 10,000 elementary and secondary schools were affected by the disaster. There were serious losses and damage to economic construction and people's lives and property.

After the flood, the party Central Committee and the State Council showed great concern; sent us comforting cables and letters; and dispatched aid teams here to comfort the masses and to direct the rescue work. The various departments of the State Council and the fraternal provinces, municipalities and regions

showed great courage in the face of danger. Their mutual assistance and readiness to die or to survive together fully illustrated their noble quality of dedication to the cause of serving the people. The commanders and fighters of the PLA Units stationed in Sichuan also demonstrated their dauntless revolutionary spirit in their brave struggle with the flood, in rescuing the stranded people, in saving state property, and in helping the masses resume production and rebuild their homes. They won great merits in serving the people. By further strengthening the fish-and-water relations between the army and the people and the unity between the army and the government, they have written a new chapter on "supporting the government and cherishing the people." The broad masses of people were also undaunted in the face of the flood. Their readiness to serve the public regardless of their own safety presented an inspiring spectacle reminiscent of Emperor Yu's battle with the flood on Sichuan, and numerous thrilling acts of heroism by thousands or tens of thousands of advanced collectives and advanced individuals were witnessed during this struggle. On behalf of the provincial people's government, I wish to warmly greet and express our deep respect to them.

The great victory in fighting the flood and in the rescue operations fully illustrated our party's greatness because of its flesh-and-blood relations with the people, its whole-hearted dedication to serving the people, and its strong militancy; our army's greatness because of its readiness to protect the people and to defend socialist construction; and also the greatness of our people because of their firm faith in the party, their love of the motherland and their keen sense of being masters of their own destiny. This victory is eloquent proof of the great superiority of the socialist system and fully demonstrates the great might of socialist cultural development.

The exceptionally extensive flood of 1981 in our province severely damaged our economy and took a heavy toll of lives and property, and several years' hard struggle will be needed to recover from the aftermath. However, it has given us a stern test and tempering. Politically, we have won a great victory. At the same time, it has enriched our experiences in struggling with nature. The planetary circulation which caused the torrential rains is an act of nature which cannot be resisted. Nevertheless, this exceptionally extensive flood has exposed some of the defects in our work in the past. For example, in combating natural disasters, the guiding ideology usually stressed the struggle against drought, but rarely against flood. The excessive felling of trees and the reduction of the percentage of forest cover caused serious soil erosion and an ecological imbalance. We also lacked a unified plan for the harnessing of rivers, and the layout of construction was not rational enough. This historical lesson deserves to be well remembered, and we cannot afford to do any more stupid things against natural law.

II. Steady Progress of National Economy During Readjustment

For 1 year, in implementing the policy of a further economic readjustment, we have made great efforts to boost our agricultural, and light and textile production; to produce heavy industrial products to meet the market demands; to clear the channels of circulation; and to reduce the scope of capital construction. We also "closed, suspended, merged and retooled" some enterprises,

initially readjusted the agricultural, industrial and commercial structures, and succeeded in improving the economic results. Our national economy is now embarking on the road of steady development.

In agriculture, we have initially readjusted the agricultural structure and the crop pattern with a view to setting up a good system of agricultural ecology. For grain crops, we have increased the acreage for rice paddies and increased the cross-breeding of fine strains. Rice output was increased by 1.7 billion jin. The ratio of acreage for cash crops to the total sown area has been raised from 8.8 percent in 1980 to the present 9.7 percent. The commune members' household sideline occupation has developed fairly well. The commune- and production brigade-run enterprises have also steadily developed in the course of readjustment and reorganization, and their output value has reached 3.3 billion yuan, a 10 percent increase over 1980. In the three counties of Guanghan, Xindu and Qionglai, experiments in the restructuring of rural economy is being carried out. The orientation of the experiments is correct; the methods used are proper; and the result is satisfactory. The methods of experiments in the integrated agriculture-industry-commerce, forestry-industry-commerce, and animal husbandry-industry-commerce enterprises are being gradually improved with continued increase of benefits.

In industry, we implemented the principle of "six priorities" for light and textile industries, and the increase of production exceeded the original plan. In heavy industry, we have readjusted the orientation of its service and its product mix so that more durable goods needed in people's daily lives, and more equipment needed for technical renovation and transformation of light and textile industries, could be produced. Besides helping our products to enter the international market, this method will also increase the production of easily marketable goods. At present, the machinery industry in our province is capable of supplying complete sets of equipment of 323 varieties under 20 categories. A comprehensive productive capacity for motor cars, bicycles, sewing machines, and other electrical appliances for daily use, totaling 11 varieties, has been achieved, and the output value has increased by 2.3 times. The enterprises engaged in national defense industry are implementing the policy of an army-civilian combination. Besides guaranteeing the completion of the tasks in scientific research and the production of military products, they have raised the ratio of output value of civilian products by 42 percent over last year. Changes have also occurred in the composition of enterprises. For those enterprises consuming high energy, producing goods of inferior quality, sustaining losses over long periods, and engaging in overlapping production, we have closed, suspended, merged or retooled them. Fairly successful results have been obtained in carrying out technical transformation among a number of old enterprises, which have thus become new productive forces in light, textile and other industries. Energy consumption has been reduced.

In commerce, we have permitted the existence of different economic sectors, different channels of circulation, and many forms of business operation, and thus reduced the links of circulation. While developing the leading role of state-operated commerce, we have further developed collective and individual commerce. Among the total volume of retail sales, the ratio of combined

collective and individual sales increased from 21.8 percent in 1980 to 24.3 percent. Commodities are now circulating more freely, and the markets in both urban and rural areas are now brisk.

III. New Progress in the System of Economic Responsibility

In the past year, the system of responsibility for production in agriculture developed very rapidly, brought great changes, and produced very good results. Some 615,000 production teams throughout the province have set up the system of responsibility for production in various forms. The systems of forestry rights and forestry production are now being carried out, and other systems of responsibility, such as the "four special's and one responsibility" are being set up and developed for animal husbandry, sideline production, fishery and economic diversification, followed by the setting up of the systems of job responsibility and agricultural technical responsibility for cadres at all levels in the countryside. The broad masses of peasants are showing growing interest in science and technology. In the province, 30,000 production teams in 160 counties have signed contracts with the agrotechnical departments for the popularization of scientific and technical methods over an area of 3 million mu. Introduction of the system of responsibility for production has not only done away with the evil of "eating from the same pot," which has long existed in the collective economy, but also readjusted part of the relations of production and corrected the defects of overconcentration in a single form of management, through improved labor organization and methods of remunerations and other means, in order that the forms of management will be more suitable for the rural economic conditions in the province. At present, agriculture is taking the lead and is full of vitality everywhere, while the broad masses of commune members can carry out production with peace of mind, confidence and energy.

The adoption of the system of economic responsibility in industry, commerce and the building trade in various forms--such as profit quotas, loss quotas, responsibility for meager profits, and responsibility on a trade basis; paying taxes in lieu of turning over profits and independent accounting among the small enterprises; and so forth--is in fact a continuation and development of the expansion of decisionmaking power for enterprises. It helps clarify the enterprise's economic responsibility to the state, and its orientation is correct. Within the enterprise, it links the business results directly with the remunerations of the workers and staff members so that there will be an integration of responsibilities, rights and interests. This strengthens the workers' sense of being masters of their own affairs and arouses their enthusiasm. However, the system of economic responsibility in industry, commerce and building trade is far more complex than the system of responsibility for production in agriculture. Some enterprises have adopted the system hastily and their management failed to meet the requirements, while the use of profit and loss as the sole criterion of assessment has led to many problems. Problems of disharmony and lack of coordination also existed in the regulation and control of microeconomics by macroeconomics. We must sum up our experiences, carefully carry out the reorganization and continue to bring about improvement.

IV. Initial Consolidation and Improvement of Ideological and Political Work

In the past year, the governments and departments at various levels and all units in the province have stepped up their ideological and political work.

While eliminating the "leftist" guiding thought, they also carefully resisted and guarded against the interference from other wrong ideas in order to insure that the party's line, policies and principles are properly implemented. They have carried out a great deal of meticulous ideological and political work centering around economy readjustment, stability and unity, combating the flood and providing relief, adoption of the system of economic responsibility, correctly handling the relationships between the state, the collective and the individuals; and other important issues. Particularly since the 6th Plenary Session of the 11th Party Central Committee, an upsurge has been whipped up in the province to study the "resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" which greatly helped unify people's thinking so that they could strive for the four modernizations with one heart and one mind. Under the direct leadership of the provincial party committee, we conscientiously carried out the spirit of the forum on ideological questions, carried out education in upholding the four basic principles, seriously and correctly conducted criticism and self-criticism, summed up our experiences and drew lessons from them, and solved the problems of laxity and flabbiness on the part of the leadership which dared not attend to, or control, the tendency toward bourgeois liberalization and various unhealthy tendencies. Striking changes are now beginning on our ideological front. The government organs at the provincial level have also achieved certain success in this direction after some preliminary reorganization. Last year, the campaign of "five stresses and four points of beauty" and "learning from Lei Feng to create a new atmosphere" were extensively launched throughout the province. The cadres took part in cleaning up public places and beautifying the environment; their action played a positive role in improving the social atmosphere. We must continue to discover the special characteristics and laws of ideological and political work in the new period in order that it will better suit the requirements of new conditions and new tasks.

Fellow Deputies:

Despite the serious difficulties in the past year, we were still able to accomplish the two "slight increases" and three "stabilities." This was the result of the common struggle by people of various nationalities in the province under the CCP's leadership. However, if we will examine the work of the provincial government, we can see that it is still short of the demands from the party Central Committee and the State Council as well as the expectation of the people in the province. Early last year, because of our incomplete understanding of the readjustment policy, we did not make sufficient efforts and failed to adopt strong measures in promptly promoting the system of economic responsibility, and, as a result, had a fairly big drop in the industrial output value in the first quarter of the year. This drop affected the rate of growth for the whole year. Our financial revenues turn out to be below the expected level. Because of inadequate research in the new conditions created by the responsibility system in the countryside, we failed to solve the new problems in time. In striving for a basic stability of prices, our supervision was inadequate and our control over the scope of negotiated

prices was not strict enough, resulting in an increase in some commodities prices, particularly those of vegetables, eggs and other nonstaple food in some localities, and thus adding to the masses' financial burden. Some of these problems were the outcome of the economic readjustment and restructuring, but others are attributed to our work. We must take a serious view of this situation and make great efforts to improve it.

Work Policies and Main Tasks in 1982

Now, 1982 is the 1st year after the completion of our historical mission in setting things right regarding the guiding ideology, as well as the very important year in carrying out the Sixth 5-Year Plan. The government's work policy and main tasks are: to mobilize people of all nationalities in further implementing the policy of readjusting, restructuring, reorganizing and upgrading, to implement conscientiously the resolution of the 6th Plenary Session of the 11th Party Central Committee and the spirit of the 4th Session of the 5th National People's Congress; to boost our national economy with all-out efforts and in unity; to promote cultural development; to strive for a steady rate of development in our national economy; and to achieve a decisive improvement in social order, social atmosphere, and the leadership's work style, in order to make greater progress in our socialist construction.

I. Strive to Boost the National Economy With the Improvement of Economic Results as the Central Task

The main task for governments at various levels is to promote economic construction. The 10 principles for economic construction put forward by Premier Zhao Ziyang are a scientific summation of our experiences over the 32 years since the founding of the People's Republic, and particularly those of the past 3 years. He has pointed out a new road for us to attain a fairly steady rate in development and better economic results, and for the people to obtain more real benefits. He has pointed out the goals for our struggle and shown us a bright road ahead. We are confident that as long as we advance along the line of the 3rd Plenary Session of the 11th Party Central Committee; conscientiously implement the 10 principles for economic construction; unify our thinking and march in step; concentrate our energy, provide more active leadership, and form the concept of taking the whole country into account; uphold the principle of allowing market forces a supplementary role within the planned economy; and carefully carry out readjustment, reorganization, and the restructuring which is helpful to readjustment, with improving economic results as the central task, we can certainly overcome all difficulties, keep our revenues and expenditures balanced, preserve a basic stability of commodity prices, and achieve a certain speed in the growth of our national economy.

(1) Continue To carry Out Readjustment Well, and Strive for a Sustained and Steady Increase in Industrial and Agricultural Production

We should continue to carry out the readjustment and restructuring of the national economy, further implement the various economic policies of the party, make great efforts to attain the goal of "guaranteeing three, striving for four and planning for five" (that is, guaranteeing a 3 percent, striving for a

4 percent and planning for a 5 percent increase over last year) for our total industrial and agricultural output value. The total agricultural output value should be increased by 3-5 percent, the total grain output should be increased by 150-200 million jin, and there should be a large comprehensive increase in cash crops and economic diversification. The total industrial output value should be increased by more than 3 percent, including a 10 percent increase in light and textile industrial output; and the downward tendency in heavy industry should be reversed.

First, while we can never relax our efforts in grain production, we must actively develop economic diversification. Agriculture is an important component of the national economy, and should be developed mainly according to the requirements of a planned economy with the regulative role of market as a supplement. We must not think that planning will be unnecessary as soon as the system of responsibility for production in various forms has been introduced. We have in this province a population of 100 million and the question of feeding them is an important one. We must first guarantee a steady increase of grain before continuing the readjustment of the internal structure of agriculture; and then gradually set up a fine agricultural ecological system, raise its marketability rate, and accomplish a comprehensive development. The present acreage for grain crops must be preserved; we must direct our main efforts to the growing of paddy rice, increase the output of upland rice, restore the planting of minor miscellaneous grains and beans. The original commercial grain bases must continue to produce grain. We cannot develop economic crops by reducing the grain acreage; instead, we should raise the output per unit area and the quality. Continued efforts should be made in the production of cotton and edible oil. We use make use of the farmland made available by the reduction of cotton plants--according to readjustment--and the still unexploited hilly and mountainous areas, the water surfaces and the grassland for planting sugarcane, tobacco, mulberry trees, tea, fruits; for aquatic products, forestry, animal husbandry, high-price medicinal herbs and other cash crops; and for economic diversification. The suburban areas originally used for growing vegetables, must be used for the same purpose in the future, and no other crop should be grown in these areas. For the mountainous areas, we must continue to uphold the policy of taking forestry as the key link, simultaneous development of agriculture and animal husbandry, economic diversification, and overall development of production. The mountain slopes with poor soil and unfit for agriculture should be used for forestry or animal husbandry through suitable arrangements. We should mobilize people throughout the province to protect the forestry resources, and to launch an active tree-planting campaign which should be developed into an upsurge this spring. We should also try to increase their survival rate. Specific tasks should be assigned for hog-raising, and the state's policies concerning rewards and marketing remain unchanged. The production teams should quickly restore and carry out the "one jin of hog for one jin of grain: and other measures to encourage the careful raising of dam hogs so as to guarantee a steady increase of hogs and an increase of fertilizers. The raising of cows, sheep, rabbits and other plant-eating animals should be vigorously developed, while the commune members should be encouraged to raise cattle and fowls at home. More households should be given the special tasks of cattle-raising. The existing commune- and production brigade run enterprises should be

reorganized. They must set up a strict financial system, improve their management and strengthen their democratic operation. They must not compete with state-run enterprises for raw materials and must guard against the building of overlapping plants. All commune- and production brigade-run enterprises whose natural resources, raw materials and manpower are supplied by the production teams should be gradually reorganized so that they will be run as joint production team enterprises or joint commune, production brigade and production team enterprises.

We cannot expect the state to increase investment on agriculture, or further to increase the procurement prices for agricultural products in the next several years; and in developing agriculture, we should still mainly rely on correct policies and science. We must make full use of the present means of production and facilities of production in agriculture in striving for better economic results. We must cherish every inch of land, reclaim the farmland that has been destroyed by the flood, and strictly prohibit any improper use of farmland. We should repair the water conservation facilities on a crash basis, strengthen the weak and dangerous reservoirs, and shift the focus of water conservation work to management. The systems of weather forecasting and hydrological forecasting should be further strengthened. The farm machines and tools should be carefully kept and used, and the use of suitable farm machinery should be selectively popularized. We should continue to organize the surplus labor in the countryside to carry out farmland capital construction, gradually improve the conditions of agricultural production, and thus increase our strength for combating future disasters. We should give prominence to agrotechnical research and its popularization, tackle the key problems in agrotechnology in a planned way, conduct a careful survey of the agricultural resources, carry out agricultural zoning, and perfect the system of popularizing agrotechnology. We should combine this popularization with our fine tradition of intensive farming in order to obtain more agricultural products from nature.

Second, in industrial readjustment, we must strengthen our planned guidance with particular stress on the development of consumer goods production and the readjustment of the service orientation for heavy industry. In developing consumer group industries, we must take full advantage of such favorable conditions as rich material resources, a good market and strong backing from a well developed heavy industry, tap the resources and continue to speed up the development. We should particularly stress the production of food, textile and leather products, building materials (including glass), handicraft products, and durable consumer goods, along with a great improvement of quality and a large increase in output. The ratio of heavy industry to all industry is quite high. We must exert great efforts to readjust its service orientation in the hope that within this year, it will make new progress in offering the "five services," namely services to agriculture, consumer goods industries, technical transformation in the national economy, export, and the modernization of national defense, and achieve outstanding results. The national defense industry, after completing its task in the production of military products and its scientific research, should vigorously develop the production of civilian goods, actively support local industries in technical transformation, and loan some of its technical personnel for scientific research to support light, textile and energy industries. Energy industry is a particularly weak link in our province. We must implement the policy of both

exploitation and conservation with priority to conservation at present, pay great attention to the projects still under construction, and endeavor to have them ready for operation as soon as possible. In industrial reproduction hereafter, we must selectively and systematically carry out technical transformation for the primary purpose of improving economic results, conserving energy and raw and semifinished materials, reform the product mix, and raise the level of comprehensive utilization of resources. We must actively develop marsh gas. Great attention should be paid to communications and transportation, and efforts should be stepped up for the repair of highways, bridges, navigation routes, and wharves so as to increase the traffic by motor cars and ships and to speed up the transportation of material supplies. We should also pay attention to civilized and safe production.

Third, we must take the road of restructuring to promote the readjustment of national economy. At present, we must be careful to review, stabilize and improve the system of economic responsibility, and continue to enliven the economy. In agriculture, we must persist in taking the socialist road of collectivization and first make sure that neither the system of ownership of the means of production, including land, nor the system of responsibility for production in the agricultural collective economy can be changed for a long time to come, and then adapt measures to local conditions and provide guidance accordingly in further improving various forms of the system of responsibility for production. We should pay particular attention to solution of the new problems following adoption of the systems of fixing output quotas on the household basis and of households assuming full responsibility for farm work (Formerly undertaken by the production teams). We should also streamline the responsibility system in economic diversification, firmly uphold unified management, fixing output quota on the basis of specialized groups, and linking remunerations with assigned outputs. We should also adopt the method of "four specializations and one responsibility" in which specialization should be ahead of responsibility. There should be both unified control and individual responsibility which should be well coordinated. We should develop more specialized households of various types so that they can help consolidate the collective economy and promote the all-round development of agricultural production, the system of technical responsibility in agriculture, and the system of job responsibility for cadres should be closely integrated. In industry, the main purpose of the system of economic responsibility should be the improvement of economic results, with stress on not only profits but also the output, quality, varieties and production costs so as to strengthen the all-round enterprise management. The fruits of labor should be linked with economic benefits according to the principle "to each according to his work" so as to overcome equalitarianism. The responsibility system should be set up and perfected for not only workers, but also for cadres, and there should be criteria for assessment of the performance of the factory directors and all cadres so that there will be a combination of duties, responsibilities, rights, rewards and punishments. We must step up the ideological and political work, and channel the enthusiasm of the enterprises and workers on to the improvement of management and economic results. Commerce is mainly concerned with circulation. It has a wide range of contacts which may give rise to important policy issues. In adopting the system of responsibility for management, we must firmly uphold the socialist orientation, and, under the guidance of

state planning, improve the quality of service and the economic results. We must carry out an overall assessment of the commercial enterprises' performances with regard to their implementation of the price policy and the supply policy, the scope of their business, the varieties of their products, their attitude toward work and the quality of their service. We must never base our judgement on the profit index, and should resolutely oppose any resort to fraudulent means.

Introduction of the economic responsibility system should be combined with economic integration and industrial reorganization. This is a good method to expand the productive capacity and to increase the speed of development by relying on the existing enterprises, and this method costs little or no money. We should carefully sum up and popularize the experiences of the Congqing Clock and Watch Company, the Chongqing Jialing Motor Car Production Complex, and the Nantong Motor Vehicle Joint Transportation, adopt the method of a combination of economic means with administrative intervention, break down the regional and departmental barriers, make good use of the key cities and industrial bases and speed up economic integration and industrial reorganization with a view to producing more key products and brand name products. The industrial departments in charge at various levels can only assist, but not intervene, in these matters so that hopefully a new breakthrough may be made in the economic integrations between different industrial enterprises, between industry and agriculture, between industry and foreign trade, and among agriculture, industry and commerce. Industrial reorganization should go hand in hand with the closing, suspending, merging and retooling of enterprises. In accordance with state regulation, we should close, suspend, merge or retool those enterprises which consume energy heavily, produce unwanted goods of inferior quality, have suffered losses for a long time, and are engaging in overlapping production; or those whose goods cannot be sold in the near future and whose distant future is also gloomy. In so doing, we will gradually bring about a rational line-up of enterprises.

We should continue to promote the experiments in the restructuring of the rural economy now going on in Guanghan, Xindu and Qionglai Counties. We should gradually expand the scope of the experiments and this year, all prefectures and municipalities should select one county for this experiment.

(2) Carefully Attend to the All-round Reorganization of State-run Industrial Enterprises, and Extensively Launch the "Compare, Learn, Catch Up, Help, and Surpass" Labor Emulation

The purpose of an all-round reorganization of state-run industrial enterprises is to exercise an overall control over these enterprises so that their various types of work can be maintained, their potential can be given full play, and their economic results improved. These means will enable these enterprises to truly embark on the road of national economic development. At present, we must particularly stress these five tasks: First, we should consolidate and perfect the system of economic responsibility, improve the management of enterprises, and carry out an all-round planned control, quality control and economic accounting. Second, we should consolidate and strengthen labor discipline and strictly enforce the system of reward and punishment. Those

who are law-abiding and whose attitude toward labor and work performance are good should be commended or rewarded. As to those who have seriously violated labor discipline, the enterprise has the right to mete out economic or administrative penalties. Those who fail to mend their ways even after repeated admonitions should be more severely dealt with, or, in the worst cases, be asked to leave or summarily discharged. Third, we must consolidate the financial discipline and perfect the financial and accounting system. All violations of law or financial discipline must be dealt with resolutely. Those found guilty of corruption or embezzlement should be punished according to the seriousness of the offense. The leading persons or finance personnel of enterprises found guilty of these violations should be even more severely punished, and they must be held economically or legally liable. Indiscriminate payment of bonuses, subsidies or bonus in kind must be resolutely stopped. Fourth, we must consolidate labor organization, arrange production with fixed quotas for fixed numbers of personnel, and firmly oppose overstaffing and laxity. Fifth, we should reorganize the leading bodies, intensify ideological and political education among the workers and staff members and put an end to the phenomena of laxity, flabbiness, overstaffing, keeping on people who are too old, and bureaucracy. We should also correct the practice of some of the leading cadres of enterprises or units in yielding to the decadent ideas of a small number of people, and the wrong tendencies which may jeopardize state and collective interests. At the same time, we should promote the young and middle-age cadres who are technically or professionally competent, to leading posts so that the leading bodies will become revolutionized, better educated, professionally more competent and younger. We should carry out a training program in a planned way for the enterprise administrators and workers so as to raise the level of management and gradually form a contingent of workers with progressive ideas, professional competence and a keen sense of discipline who are ready to cooperate in unity and to struggle bravely for the cause of the four modernizations.

The all-round reorganization of enterprises is a constructive reorganization, for which we should work out a comprehensive and constructive plan. The basic requirement for the construction to be carried out along with the reorganization of the enterprise is to strive for "three build-ups" in order to meet the "six-good requirements." It means that through the all-round reorganization, we should gradually build up a system of leadership in which there is both democracy and centralization; gradually build up a contingent of workers who are both Red and expert; and gradually build up a set of scientific and civilized management systems, so that the enterprises will be good at handling the relationships between the state, the collective and the individuals; produce goods of good quality; achieve good economic results; have good labor discipline; be good at civilized production; and carry out good political work, as "six-good enterprises."

We should carry out the all-round reorganization of enterprises by groups and at intervals, taking into account the experiences gained in selected enterprises and their popularization in other enterprises, and try to complete it 2 or 3 years. This reorganization should be carried out under the leadership of the party organizations in the enterprises and by relying on the present leading bodies and workers. This year, 40 enterprises which pay high

taxes or turn in high profits will be selected for this purpose from the relevant municipalities or prefectures in the province. The departments at the provincial, municipal and prefectural levels should dispatch responsible cadres, who will bring with them a number of finance and accounting, and other professional cadres and party-mass work cadres--who should be familiar with production, business management, and matters relating to labor and wages--to the enterprises and stay there to conduct investigations and study, and to assist in the reorganization in a realistic way. The experiences they obtain will be gradually popularized. The main criteria for assessing the result of the reorganization are the quality of the enterprise's products, the output, the economic result and the magnitude of its contribution to the state. The reorganization, when completed, should be examined and passed by the higher departments in charge. Any enterprise failing to pass the examination will have to be reorganized again.

The other enterprises should mainly attend to three tasks: First, they should learn from all good experiences, including the basic experiences of Daqing, and actively launch a "comparison, learn, catch-up, help and surpass" socialist labor emulation. With the method of "inviting in and sending out," they should learn from the advanced areas and advanced units, particularly from units of the same trade; compare themselves with the advanced units of the same trade; compare themselves with the advanced units, note the differences, and reward the advanced units as their tutors. They should also learn from the advanced units about science, technology and business management; try to gain some scientific skill, and regard the professional experts as tutors. Second, they should pay constant attention to the building of the leading bodies of enterprises. They should on the one hand commend the good leading bodies and, on the other hand, readjust the unsatisfactory ones. The cadres should be taught not to complain constantly to the higher authorities; and not to condone violations of law or dishonest practices. They should carry out education in the four basic principles among the workers and staff members; teach them about the relationships between the state, the collective and the individuals, about the working class; sense of being masters of their own destiny, and about the worker-peasant alliance. Such education is particularly necessary for the young workers in order that they can learn about the meaning of the working class, its history and glorious revolutionary traditions, its historical mission, and its quality and nature, and carry forward the spirit of the working class as master of its own destiny.

(3) Further Promote Circulation and Make Good Arrangements for the Urban and Rural Markets and for Exports in Foreign Trade

State-run commerce and the supply and marketing cooperatives play the main role in urban and rural markets and serve as the main channels of commodity circulation. The state relies on them in exercising planned regulation over the market. To promote circulation, we must use planned economy as the leading factor and the regulative role of the market as a supplement, and first keep the main channel clear and let the other channels play their supportive role. We must firmly uphold the principle of simultaneous considerations for the interests of the state, the collective and individuals. State planning must not be affected by the expanded decisionmaking power

of enterprises or by the introduction of the system of responsibility for production in the countryside. The commodities which should be delivered must be delivered according to contracts, while the supplies which should be transferred out of various localities and departments must be transferred out according to plan. The state-run commerce, supply and marketing cooperatives, and material supply departments must pay great attention to their reorganization, improve their business style, clear the circulation channels, reduce the intermediate links in circulation, increase the procurement and marketing of commodities, support industrial and agricultural production, improve the market supplies, and do everything possible to meet the people's ever growing needs for consumer goods.

We should improve and perfect our work in the procurement of agricultural sideline products. We should carry on the systems of unified purchase and quota procurement according to policies and regulations. Bearing in mind the "three simultaneous considerations," we should carry out the work of procurement according to the set base figures for agricultural sideline products of the second category and the set ratios between procurement and retention.

Unauthorized lowering of the base figure and increase in the proportion of commodities to be sold at increased or negotiated prices are not permitted. The system of agricultural-commercial contracts should be vigorously popularized, and both parties should strictly observe their contractual obligations in order that guidance can be provided for economic diversification and the state's procurement plan can be fulfilled. All unified purchases and quota procurement of commodities for the state should be handled by the relevant departments in charge and be free from interference from any quarter. Commercial work in the countryside should be further intensified, and the role of the supply and marketing cooperations as the main channel of circulation should be given full play. We should plan the experiments in setting up collective commercial undertakings to be run by communes and production brigades, and manage the rural fairs well. We should send more industrial products, including the means of agricultural production, consumer goods and building materials, down to the countryside. The experiences of Dazhu County in the improvement of business management should be extensively popularized so that supply and marketing cooperatives can be operated as a mass organization, managed in a democratic way, and function more flexibly. We should restore and carry forward their glorious tradition of being closely related with the masses and helping bring prosperity to the rural economy. Experiments in restructuring the supply and marketing cooperatives in the province should be carried out in a planned and systematic way.

We should strengthen the coordination and integration between industry and commerce so that more avenues will be available for the marketing of industrial goods produced by the localities. The industrial departments should produce easily marketable goods according to plan and market needs. They must pay primary attention to quality, and increase the designs and varieties according to changes in the patterns of consumption, so as to strengthen the competitive power of locally produced products. The commercial departments should improve their wholesale system. They should procure and market products in accordance with policies, plans and contract requirements, and carefully handle the relationship between the products within the province and those outside the province, step up their work of market forecast, supply

timely information to the industrial departments, and support them in controlling the production of goods already in excessive supply and in producing outside-the-plan goods to be sold by themselves. We should sum up and popularize the experiences of joint industrial-commercial exhibitions and sales and sales promotion, adjust the distribution of benefits between industry and commerce, and increase the sales of industrial products produced by the localities.

We should actively improve the supply of nonstaple food to the large and medium-size cities and the industrial and mining areas. The top leaders in large and medium-size cities should personally see to it that vegetables are produced and supplied, and attend to this job several times each year. They should adopt the necessary administrative and economic measures to designate the areas for growing vegetables, set up the system of responsibility for vegetable production, improve the method of food rationing, and pay equal attention to grain and vegetables. They should also popularize the system of agriculture-commerce contracts, and the system of rewards and punishment so that the vegetable peasants will strictly follow the plans in growing and delivering vegetables. The production of pigs cannot be taken lightly. We must continue to implement the policies on the production, procurement-retention, and rewards for their sales. In accordance with the new conditions resulting from the adoption of the system of responsibility for production, the quotas for the raising and the procurement of pigs should be worked out for the production teams to be carried out by individual households. Procurement contracts should be signed so as to insure the steady development on pig-raising and the regular supply of pigs to the market. The method of quota procurement should be restored for eggs, and the food industry should be actively developed.

We should pay attention to the positive role of collective and individual commerce. The state-run commerce should take on the responsibility of providing economic guidance to the collective and individual commerce. According to state regulations, we should give equal considerations to state-run enterprises as well as collective and individual commerce in the way of supplies, pricing, and bank loans. Politically and socially, they are all equal. All forms of commercial organizations and of transportation and sales undertaken by individuals must be strictly in accordance with government policies and decrees. They should also submit to the control of the industrial and commercial administrations.

Efforts must be made to expand our economic and trade activities abroad. Instead of closing the country to international intercourse, we should increase such activities in a flexible way. We should adopt many different methods, such as utilizing imports to serve the expansion of exports, processing imported materials, assembling imported parts, cooperative business, cooperative production, compensatory trade, and so forth, to develop our economic and trade activities abroad. Provided the fulfillment of the state's export plan is assured, we should try to export more commodities, particularly electrical appliances. We should also try to increase the export of labor and our native pickles.

(4) Improve the Economic Results, Increase Revenues and Practice of Economy

Improving the economic results by all possible means is the core of production, construction, circulation and other activities, as well as the basic starting point in economic work and the practical method to increase financial revenues. We must be sure that our financial revenues will not be less than 3.3 billion yuan, while our financial expenditures must not be more than the planned figure. To keep our financial receipts and expenditures balanced, we must adopt correct policies, arouse enthusiasm in various quarters, make great efforts to increase production, strictly practice economy, oppose waste, and stress the acquisition, accumulation and spending funds.

First we must vigorously develop production, broaden the avenues of production and stress the acquisition of wealth. The financial departments should devote their main efforts to the development of industrial and agricultural production, the increase in social wealth, and increase the sources of wealth. In this connection, they should pay great attention to these three aspects: First, active support for the production of more consumer goods; second, promote economic diversification in the countryside; and third, help the enterprises in the rational use, and the conservation of energy.

Second, we should tap the potential, close the loopholes and improve the economic results. There is now strong potential for increasing production and practicing economy and for increasing revenues and curtailing expenditures in the spheres of production, construction and circulation, and conditions are very favorable for the improvement of economic results. Compared with the national levels, the output value for every 100 yuan of fixed assets of the local industrial enterprises in 1980 was lower by 16 percent; the taxes and profits handed in for every 100 yuan of output value was lower by 6.8 percent; and the per unit production cost was higher by 7 percent. If the total industrial output value throughout the province can be increased by only 1 percent, the total output value of local industry will be increased by approximately 20 million yuan; and if the total production costs of comparable products can be lowered by only 1 percent, we can increase our profits by 60 million yuan. Therefore, we must make serious efforts to reorganize the enterprises, arouse the enthusiasm of the enterprises and the workers and staff members, strengthen economic accounting and financial control among the enterprises and improve the systems of statistics, first-hand records and quotas and other basic work in order to improve the quality, raise the output, lower the consumption and earn more profits to increase the state's revenues. In capital construction, the focus of our work is to increase investment returns. For the new projects, we must carry out feasibility studies so as to avoid any errors in macroeconomic policy decisions. All projects should be subjected to a strict system of responsibility for the construction periods, and a time limit must be set for their commissioning. The administrative units and public agencies should continue the system of responsibility for their own finance and practice economy.

Third, we should strengthen the control over financial allocations and bank loans so as to accomplish the task of wealth accumulation. The finance departments should help the enterprises perfect their systems of economic responsibility. The relations of interests among the state, the collective and the

individuals should be correctly handled. First, the state should receive the largest share; then the enterprise should have the major portion of the rest with the remainder going to the individuals. The funds which should be turned in to the state must be promptly turned in. We should strengthen and give full play to the role of banks in the accumulation, disposition and unified control of all credit funds. Through the absorption of deposits, insurance, trust and other services, the banks should help raise more funds to be used for construction. The extra-budgetary funds must be well controlled and carefully used. Some projects can be financed by local or enterprise extra-budgetary funds, and this means reduction of the state's burden. Extra-budgetary funds should be combined with budgetary funds and then rationally used according to plan and under overall arrangements so as to prevent overlapping construction or production. The governments at various levels should provide more active leadership in propaganda work concerning the treasury bonds which the state has distributed to this province so that these bonds can be all sold.

Fourth, we should strengthen our supervision on finance, strictly enforce financial discipline, and stress the proper way to spend money. The finance departments should give full play to their supervisory role to insure that all revenues due are collected and that the funds are rationally used. All expenditures must be carefully budgeted and checked so that we can accomplish more tasks even though we spend less money. Those who are diligent and frugal should be commended, while expenditures with poor results should be criticized, and persons causing serious waste should be disciplined. We must resolutely stop and correct the practice of withholding the funds which should be handed over to the state, diverting them to other uses, false reports on expenditures, illegal transfer of funds to others, and other violations of law. We should take a very serious view of these violations of financial laws. We will be lenient to those who have committed honest errors and discovered these errors; and will be severe with those who resist investigations or try to hookwink the investigators. The state's economic losses must be recovered.

(5) Be Concerned With People's Livelihood and Stabilize the Market Prices

The fundamental goal of socialist revolution and construction is continually to increase the social productive forces and gradually to satisfy the ever growing requirements of people's material and cultural life. We must be concerned with the people's livelihood particularly in the disaster areas. The improvement of people's livelihood must be based on the development of production. First, we must let the people have sufficient and nice food, not that of poor quality. But the food cannot be of the highest standard. Second, we need construction. If a country lets its people eat up and use up everything, it will have no future. We must teach the cadres and people to properly handle the relationship between production and livelihood and between immediate and long-range interests, so that they, as masters of their own destiny, will strive for great contribution to the four modernizations.

Continued efforts should be made to stabilize commodity prices. This is a very important matter in people's daily life. Governments at all levels should conscientiously carry out the State Council's "Notice Concerning the Stabilization of Market Prices," and provide more active supervision over commodity

prices. All industrial and agricultural commodity with quoted prices set up according to state regulation must be sold at the quoted prices. All the negotiated prices for the retail sales of commodities can be lowered, but not raised. The scale of fees for handling noncommodities should be revised. We must strictly follow state regulations and policies in strengthening our control over the urban and rural fairs, strictly prohibit any price increase in disguise, and resolutely combat such illegal activities as speculation and profiteering or driving up commodity prices. The small number of people who deliberately spread rumors to deceive people and disturb the market must be severely dealt with after full investigation. We should organize the relevant departments to conduct large-scale periodical checks on commodity prices, set up and strengthen mass groups for supervision over prices, and encourage people to expose those who have violated the price regulations. Any unit found to have actually violated the State Council's regulations will have to pay a fine or to forfeit its bonus. The person responsible for the violation will have his regular wages withheld and be given administrative disciplinary action. In serious cases, the industrial or commercial administrative departments may order the suspension of its business and file charges against it with the judicial departments.

We should make suitable arrangements to accommodate those people who are waiting for jobs. This year, we plan to provide jobs for 250,000 of them, and may possibly increase the number to 300,000. In accordance with the decision of the party Central Committee and the State Council on solving the urban employment problem by dovetailing efforts to generate more jobs with efforts to readjust the structure of industry and ownership, we should pay great attention to the development of collective and individual economies as the channels of creating jobs. We should publicize the employment policy of the party and the government among the masses, and correct the mistaken ideas of looking down on collective and individual economies and despising commercial and service trades. We should support these economies in our policies and work in such a way that our support does not mean our responsibility for the, that controls will not be rigid, and that flexibility will not lead to chaos. These enterprises should be organized on a voluntary basis and can take many forms with responsibility for their own profits and losses, as a matter of principle, in order that they can from the very beginning preserve and develop the fine characteristics of collective economy. We should set up and perfect labor service companies at various levels in various forms and adopt simple and easy methods to provide technical training for the job-awaiting people in the cities and towns so as to create the conditions for labor employment.

(6) Develop Nationality Economy and Strengthen Nationality Unity

The main task in nationality work is to help the minority nationalities develop their economy and culture, to strengthen the unity between various nationalities in order that the nationality areas can continue their march toward the goal of unity, prosperity and civilization.

In recent years, we have adopted a series of special and flexible policies based on the actual conditions in the nationality areas. Thanks to the efforts of the cadres and people of various nationalities, their economy has continued to develop, the people's livelihood has markedly improved and the unity between different nationalities has been further strengthened. This year, we must continue to implement the provincial party committee's conference on the work in the three auto prefectures, further emancipate our minds, adopt flexible policies, carry out and perfect the various forms of systems of responsibility for production, and actively help the nationality areas develop their production, revitalize their economy, raise their cultural standards and improve their conditions of living. In most of the areas in Ganze, Aba and Liangshan auto prefectures, we should follow the principle of taking forestry and animal husbandry as the key link in an all-round development of agriculture, forestry, animal husbandry, sideline occupation and fishing, bring the strong points in animal husbandry, forestry small-scale hydropower, medicinal herbs and mineral resources into full play, and strive for even greater economic development. We should conscientiously put into practice the system of forestry rights, the system of responsibility for forestry production, protect the forestry resources, and plant forests well. We should also promote scientific rearing and speed up the development of animal husbandry. The production of special goods for nationality minorities should be encouraged along with the development of nationality commerce so as to enliven their economy. We should actively develop nationality education, science, culture, public health work and sports. The consolidation and development of Chongqing, Chengdu, Zigong and Dukou Municipalities as support bases for the three auto prefectures should be continued. In developing nationality economy and culture, we should pay particularly attention to the investment results and stress economic benefits.

We should further implement the policy of autonomy of the nationality areas and respect their right to regional autonomy. We should also continue to train nationality cadres in a big way, raise their political, cultural and vocational levels, and promote their fine cadres to leading positions. The Han cadres have made important contributions to construction in the nationality areas in various respects, and we should encourage them to continue to join the cadres of various nationalities in making the construction a success. Nationality minority work for those people now living among other people in the inland urban or rural areas must be carefully carried out, in order that they can enjoy equal rights politically, economically and culturally. We should constantly carry out reeducation in the nationality policy so as to strengthen unity and mutual assistance among people of different nationalities and to continue the development of socialist nationality relations.

We must correctly and comprehensively implement the policy of freedom in religious beliefs. Every citizen has his religious freedom as well as the freedom of religious disbelief. We must recognize the protracted and mass nature of the religious question, unite with the religious people and teach them about loving the motherland, and supporting socialist and the Communist Party's leadership so as to guide religious activities on to the normal channel permitted by state law and policies. Religion must not interfere with politics, education or marriage, and religious activities cannot be utilized as a means of exploitation, oppression or other illegal activities.

While striving to accomplish these six tasks, we should at the same time step up the work of formulating the Sixth 5-Year Plan for economic and social development. With a clear goal in view, we should look forward and backward to size up the situation and then carry out a general improvement and utilization program in order better to serve the four modernizations. While formulating the Sixth 5-Year Plan, we should further meet the requirements of readjustment, restructuring, reorganization and upgrading, and implement the 10 principles for economic construction so as to improve the economic results. All prefectures, auto prefectures, counties, departments and units in the province should, on the basis of meticulous investigations and study, work out a heartening and realistic Sixth-5-Year Plan.

II. Strive for a High Level of Cultural Development, Insure the Socialist Orientation of Material Development

In the work of socialist modernization, we must strive for a high level of both material and cultural development. The two are inseparable. Accomplishment of the material development will lay the foundation for cultural development; and there must be cultural development before we can insure the sustained development of the national economy and the socialist orientation of material development. While striving for material development, we must treat cultural development as a long-term and magnificent strategic task.

Cultural development has a broad scope, mainly including education, science, culture, arts, public health work, sports, social and political ideology, ethics and so forth. Judging from the present situation, the governments at various levels should devote their efforts to the following aspects of work:

(1) Vigorous Propaganda

The entire social force and various mass media, particularly the press, the radio, television, literature and art, publication, movies and the cultural hall, should be mobilized, and each of them should display its own strong points in various vivid forms, in an educational campaign for socialist cultural development so as to form a powerful public opinion with its influence felt by every household. We will strengthen ideological and political work through effective publicity and education to enable our cadres and people to cherish the socialist and communist ideology, morality and attitude toward labor; to cultivate noble thoughts and feelings, a fine life style and aesthetic standard, a conscious law-abiding spirit and a high sense of organization and discipline; correctly to handle the various relations among the people and to accomplish those tasks which can be accomplished if we try. Then both material and cultural developments will continue to bring satisfactory results.

(2) Extensive Campaign on "Five Stresses and Four Points of Beauty"

All government organs, schools, enterprises, public agencies and various social groups should play their leading role in launching a widespread "Five Stresses and Four Points of Beauty" campaign. Our main attention should be

paid to the large and medium-size cities, and we must improve the sanitation, the public order, and the attitude toward service in the cities. Of these three tasks, we must use sanitation as a breakthrough point, and then devote our efforts in purifying and beautifying the environment with tree planting. Government cadres' participation in cleaning up and other public welfare activities should be made into a system to be kept up for a long time. Tree-planting throughout the province is a great undertaking for harnessing the rivers and mountains, the preservation and improvement of ecological environment, building socialism and creating prosperity for the future generations. We must all be well prepared ideologically and inspired with a keen sense of patriotism so that everyone of us will rise in action in tree-planting every year and the movement will be kept up for a long time. The public security and communications departments should make great efforts in maintaining public order and regard good social order as an important aspect of socialist cultural development. The commercial and service departments should carry out education in "one policy," (develop economy and guarantee supply) "two services" (service to production and service to consumption) and "three concepts" (political, production and mass concepts) among their workers and staff members, improve the attitude toward service and the quality of service, and launch an emulation to become "five-good enterprises" and "six-good workers" so as to bring about a new complexion in commercial work. All trades and professions should learn from the dashing spirit of the Chinese women's volleyball team in raising China's prestige. They should have less empty talk, do more work, aim at great achievements, but attend to even minor matters so that their goal can be attained gradually by attending to these "minor matters."

(3) Strengthening Basic-Level Political Power in Urban and Rural Areas

After the adoption of the system of responsibility for production in various forms in the countryside, the basic-level political power should be correspondingly strengthened. We should continue to strengthen our leadership over the production teams, strengthen the peace preservation associations and mediation committees, and carefully attend to the work of supporting the army and giving preferential treatment to army dependents, social relief, education and public health, family planning, militia training, maintenance of public order, mediation in civil disputes, and so forth. The masses should be mobilized to set up village regulations and people's pledges and various factory rules and factory laws. We should play up new people, new deeds and new practices, encourage the new style of wedding and the practice of economy among households, forbid feudal superstition and gambling, protect socialist economy and insure the implementation of state laws and decrees.

(4) Comprehensive Control for Maintaining Social Order

We should organize the forces from various quarters and adopt various ideological, political, economic, administrative and legal measures in various forms to promote the proper system of responsibility for public order, and truly enforce the "comprehensive control." Education in the socialist legal system should be strengthened so as to promote the people's concept of law. It is particularly necessary for us to attend to the education of young

people with particular reference to their personal traits. We should strengthen our ideological and political work and patiently teach them to love the motherland, the party and socialism; to carry forward the fine revolutionary traditions and to cherish communist morality and the Marxist world outlook; and to promote vigorously socialist cultural development. The masses should be mobilized to help reform the misguided youths and to take various preventive measures. We should further intensify our work in economic legislation and administrative legislation so that legal means can be used to preserve the economic order and to deliver timely blows at various economic crimes. All acts of violation of the law, such as giving and accepting bribes, tax evasions, smuggling, speculation and profiteering, driving up prices and disturbing the market should be resolutely dealt with. Those having brushed with the criminal laws will be dealt with accordingly. Both the cities and the countryside, particularly the urban areas along the railways, should pay attention to public order. Heavy and swift punishments should be meted out for the criminals in cases of homicide, robbery, rape and criminally caused explosion and arson, so that there will be a marked improvement in social order.

(5) Development of Education, Science, Culture, Public Health Work and Sports To Raise People's Scientific, Cultural and Physical Level

In education, we should firmly uphold the policy of an all-round moral, intellectual and physical development, actively readjust the structure of education, strengthen the teachers' ranks and raise the standard of teaching. We should also develop vocational schools and sparetime education and encourage self-study. In science and technology, we should cultivate the concept of serving economic reconstruction. All forces from the scientific research organs, universities, special colleges and productive units should be mobilized to promote those subjects that may be of benefits to our province's economic development. Among these subjects may be mentioned the cultivation of fine strains, conservation and utilization of energy, finishing on textile products, processing food and leather, and so forth, which can be used in tackling key problems. In order that the fruits of scientific research can be widely used, we should launch a widespread campaign for the popularization of science. Continued efforts should be made on forecast and forewarning on earthquakes. In the sphere of literature and art, we should continue to uphold the principle of "letting a hundred flowers blossom and a hundred schools of thought contend," firmly adhere to the socialist orientation, warmly praise the new spiritual outlook and the noble morality and feelings of the new age, and actively organize a rich variety of healthy mass literary and art activities. In public health work, we should stress the "prevention first" policy, reorganize the medical structures in both rural and urban areas so as to raise the standard of medical services. We should also encourage mass sports to improve people's physical conditions. Family planning is an important matter with a bearing on the result of the socialist modernization drive, and a long-term strategic task on which we cannot for a single moment relax our efforts. This year, we must control the rate of natural population growth below 1.1 percent. We should continue to encourage late marriage, late birth, less births and eugenics. Married couples are encouraged to have only one child. After setting up the system of responsibility for production in the

countryside, we should carefully study the new conditions and solve the problems in the work of family planning, and carry out patient and meticulous ideological education. We should quickly adopt adequate measures to reverse the present tendency toward a large upswing in the birth rate in the countryside, so as strictly to control the blind increase in population and to improve the quality of our people. Wide publicity should be given on the great significance of the general census and of the relevant regulations. We should mobilize the forces in various quarters and arouse the enthusiasm of the broad masses in order to complete this job on time and up to the required standard.

In striving for a high level of material and cultural development, we must clearly understand that intellectuals, like workers and peasants, is an important and indispensable force. We must conscientiously carry out the party's policy on intellectuals and must see to it that politically, they receive equal treatment; in work, they should be boldly put to use; and in their daily life, they should receive every care. Those of high integrity and great ability who are young and healthy and good at organization and leadership should be boldly promoted to leading posts at various levels, and be trained in a planned way. We should evaluate and confer suitable titles for various professional personnel so as to give full play to the ability of intellectuals.

III. Reorganization of Government Offices to Improve Workstyle

At present, the bureaucratic tendency in our country's political life and economic management is a serious obstacle to our four modernizations. In order that the governments at various levels can effectively lead the people of various nationalities in the province in socialist economic construction and cultural development and in smoothly accomplishing the various tasks set for 1982, we must act in accordance with the spirit of the 6th Plenary Session of the 11th Party Central Committee and the 4th Session of the 5th National People's Congress and pay special attention to these 2 tasks: First, reorganize the government offices to improve the work style and to overcome bureaucracy in order to raise the work efficiency; and, second, to carry forward our fine traditions and strictly enforce the administrative and financial laws.

To overcome bureaucracy and raise work efficiency is a strategic policy decision in striving for the four modernizations. We should continue to reorganize the government offices; clearly define the duties and responsibilities of various departments of the government, the internal organization of various administrative organs, and the duties and responsibility of the personnel; set up and strengthen the system of job responsibility for all personnel from the leading cadres down to the workers, so that there will be a combination of duties, responsibilities and rights, and a combination of a keen sense of responsibility and a strict system of job responsibility; and enforce the systems of assessment and of reward and punishment. We must have the courage to carry out criticism and self-criticism and resolutely rectify the obnoxious practice of laxity, disregard for discipline, negligence, shirking responsibility, wrangling, and irresponsibility, so as to raise work

efficiency and the quality of work, and to serve the people wholeheartedly. We should be good at using people, and the fine young and middle-age cadres who have both integrity and ability, good health, and professional knowledge and skill should be promoted to leading posts. At present, we will not set up any new organization or add any new offices.

In enforcing administrative and financial laws, we must be strict in handling the major economic cases. In present economic dealings, such obnoxious practices as giving lavish dinner parties and presents, trying to establish underhand connections for the sake of personal gain, demanding commissions, securing advantages through pull or influence and going in for extravagance, have appeared among some units. The criminal activities of committing graft and embezzlement, speculation and profiteering, smuggling, misappropriation of state properties, and so forth are being reflected inside some state organs, seriously corroding our cadres and workers. Some government workers have connived at, shielded, or even directly participated in these criminal activities. This should arouse our high vigilance. These government workers must be severely dealt with, and, in serious cases, according to law. Criminality is not to be tolerated. In handling serious economic cases, we must first deal with those cases involving responsible cadres. If there is conclusive evidence and the case is serious, we must mete out heavy and swift punishment according to law. This is an important matter with a bearing on the future destiny of the state, and we must handle it with full vigor and carry this task through to the end. However, we must carry out this task very cautiously in order that there can be no miscarriage of justice whatsoever. At the same time, we should launch a vigorous educational campaign, consolidate the relevant organizations, strictly enforce the relevant systems, and close the loopholes in order to prevent the recurrence of similar cases.

Government personnel at all levels must firmly uphold the four basic principles. Those who have deviated from the socialist road and party leadership and are now pursuing bourgeois liberalization should be strongly criticized, or attacked, if necessary. We must develop the glorious tradition of hard work and plain living and serving the public honestly, and firmly resist the corrosive ideas and work style of the bourgeoisie.

We should bear in mind the overall situation, correctly handle the relationship between the part and the whole, and uphold the principle of giving "three simultaneous considerations" for the interests of the state, the collective and the individuals. We must not stress the interests of our own region and our own department at the expense of those of the state and the people. We must carry out the party's line, principles and policies in an exemplary manner and submit to a unified command instead of going our own way.

The leading cadres of governments at all levels should change their work style, pay attention to investigations and study, and to inspections and supervision. They should go deeply among the basic level units and realities, sum up their experience, provide guidance in work and solve problems. They should strengthen their relations with the people, and carefully attend to the letters and visits from the people. Cadres at all levels should make

great efforts to study Marxism-Leninism-Mao Zedong Thought and learn more about culture, science and technology so as to raise their political and professional levels and win new achievements in the socialist modernization.

Fellow Deputies:

The present political and economic situation in our province, as in the rest of the country, is very fine. The mountains and rivers in our province are now basking in the spring sunlight, and everything is full of vitality. The socialist cause is advancing in triumph. The year 1982 is an inspiring year, and the year for us to go all out to make the country strong, to make positive progress and to win greater achievements. We must closely rally around the CCP, hold high the banner of Marxism-Leninism-Mao Zedong Thought, continue to consolidate and develop political stability and unity, and make due contributions in ushering in a new period of economic rejuvenation and building our country into a modernized, highly democratic and highly civilized strong country!

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CSO: 4006/352

AGGREGATE ECONOMIC DATA

PROVINCIAL ECONOMIC DATA GIVEN

[The following selected provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, and gross value of agricultural output as GVAO.]

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Beijing</u>				
1982:1981 Jan	GVIO: 2			1
1982:1981 Jan	HI: 3.6			1
1982:1981 Jan	LI: 12			1
<u>Fujian</u>				
1981:1980	GVIO: 7.5			6
1982:1981 Jan	Avg daily out- put value: 11			7
1982:1981 Jan	GVIO: -0.6			7
<u>Gansu</u>				
1952-1980	LI-Avg annual gross output value: 7			2
1982:1981 Jan	GVIO: 0.2	524 million		8
1982 Mar	GVIO	641 million		9
1982:1981 1st Q	GVIO: 7.48	1.696 billion	23.43	9
1982:1981 1st Q	LI: 14.09	421 million		9
1982:1981 1st Q	HI: 5.46	1.275 billion		9

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Gansu (Cont'd)</u>				
1981:1980 Sep-Dec	GVIO: 5.2		103.5	16
1981			Railway trans: 109.7	16
1981			Highway trans: 108.3	16
1981			Port trans: 108.4	16
<u>Guangdong</u>				
1981:1980	HI: 1.7			19
1982:1981 Jan	GVIO: 2.3 Avg daily out- put value: 20.9			20
1982:1981 Jan	LI: 3.2 Avg daily output: 22			20 20
1982:1981 Jan	HI: 0.58 Avg daily output: 18.9			20 20
1982:1981 1st Q	GVIO: 13.19 LI: 15.48 HI: 8.57			21 21 21
1982:1981 Jan+Feb	GVIO: 11.5	LI investment: 20 million		22
1981:1980	GVIO: 11.4 LI: 17.4	24.96 billion		30 30
1981:1980	GVAO: 3.3	9.1 billion		30
<u>Hebei</u>				
1982:1981 Jan	Coal: 3.93 (460,000 tons over plan)			10 10

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Hebei (Cont'd)</u>				
1982:1981 1st Q	GVIO: 9.6	5.296 billion		11
1982:1981 1st Q	Textile-LI: 15.1			11
1982:1981 1st Q	HI: 4.9			11
1982:1981 Jan	LI: 22.6			11
1982: Feb/Jan	LI: 0.79			11
1982: Mar/Feb	LI: 12.3			11
1982:1981 1st Q	GVIO/LI: 28.9		105.96	11
<u>Heilongjiang</u>				
1981:1980	GVIO: 2.5	22.73 billion		12
	LI: 13.6			12
<u>Hubei</u>				
1981:1980 Jan-Nov	GVIO: 8.4		91.2	13
1981: Nov/Oct	GVIO: 1.9	2.353 billion		13
1981:1980 Nov	GVIO: 20.7			13
1981:1980	GVAIO: 9.3	33.67 billion		29
<u>Liaoning</u>				
1982:1981 Jan	GVIO: 2.4			17
1982:1981 Jan	LI: 3.4			17
1982:1981 Jan	HI: 1.9			17
1982:1981 Jan	Avg daily output value: 12.8			17
1982 Jan: 1981 Dec	Avg daily output value: 3.6			17

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Liaoning (Cont'd)</u>				
1982:1981 Feb	GVI0: 9.4			18
1982: Feb/Jan	LI: 4.4			18
1982:1981 Feb	LI: 27.1			18
1982:1981 Jan+Feb	GVI0: 8.9			18
1982:1980 Jan+Feb	GVI0: 5.4			18
<u>Ningxia</u>				
1952-1980	LI--Avg annual gross output value: 8.7			2
<u>Qinghai</u>				
1952-1980	LI--Avg annual gross output value: 8.8			2
<u>Shaanxi</u>				
1952-1980	LI--Avg annual gross output value: 9			2
1982:1981 Jan	Daily output value: 8.3			23
1982:1981 Jan	LI: 5.88	16.74 million		23
1982:1981 Jan	HI: 11	13.9 million		23
1982:1981 1st Q	GVI0: 7		123	24
1982:1981 Jan	GVI0: 5.5			25
1982:1981 Jan	Coal: 5.8			25
1982:1981 Jan	Electric power: 5.4			25

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Shandong</u>				
1981:1980 Jan-Sep	GVIO: 2.63	24.503 billion	74.7	3
1981:1980 Jan-Sep	LI: 15.89	13.523 billion		3
1981:1980 Jan-Sep	HI: -10.3	10.98 billion		3
1982:1981 Jan	GVIO: 0.99			4
1982:1981 Jan	Avg daily output: 12.2			4
1982: Feb/Jan	GVIO: 2.14			5
1982:1981 Jan+Feb	GVIO: 13.9			5
1982:1981 Jan+Feb	LI: 15.9			5
1982:1981 Jan+Feb	HI: 9.6			5
<u>Shanghai</u>				
1982:1981 Jan	Avg daily output value: 7.1			14
1982 Jan: 1981 Dec	Avg daily output value: 2.7			14
1982:1981 1st Q	GVIO: 6.6			15
1982:1981 1st Q	LI: 8.8			15
1982:1981 1st Q	HI: 3.9			15
<u>Sichuan</u>				
1982:1981 Jan	GVIO: 2.1			26
1982:1981 Jan	LI: 13.6			26
1981:1980	GVAO: 1.5	14.07 billion		27
1981:1980	GVIO: 2	26.8 billion		27
1981:1980	LI: 12.4	13.5 billion		27
1981:1980	HI: -6.7	13.3 billion		27
1982:1981 Feb	Avg daily output value: 10			28

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Xinjiang</u>				
1952-1980	LI--Avg annual gross output value: 9			2
<u>Yunnan</u>				
1982:1981 Jan	Coal output: 3.76			31
1982:1981 Jan	Electric power output: 3.4			31
<u>Zhejiang</u>				
1981:1980	GVIO: 4	519 billion	103	32
1981:1980	HI: 4.3			33
1982:1981 Jan+Feb	GVIO: 12.4			34

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CSO: 4006/439

FINANCE AND BANKING

'NEW FINANCIAL RESOURCES' MUST BE TAPPED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] No 4, 19 Feb 82 pp 12-13

[Article by Yin Jungang [1438 0193 4854] and Zhang Hansheng [1728 3352 3932]:
"Tapping New Financial Resources Must Be Stressed"]

[Text] For the purpose of supporting the socialist construction in our country, various methods of opening all avenues for tapping financial resources have been suggested from different quarters in our society, e.g., starting trust deposits, setting up time deposit accounts for government offices and enterprises, and so forth. All of these suggestions are really the appropriate measures for tapping financial resources. However, most of these funds have been deposited in banks and are being utilized by us. If these funds are transferred into trust or time deposits, although they can be used by the state over a long period of time, from the point of view of the overall situation, these funds raised by the state have not been increased. Funds raised by the method of moving them around are not new financial resources.

The banks of socialist China are essentially different from the banks of the capitalist world. The capitalist banks are separate from each other and belong to individual banking magnates. Those who can draw more deposits enjoy a larger share of the total amount of monetary funds in society. Even if the total social monetary funds remain unchanged, funds held by each individual capitalist may increase. Under the socialist conditions in our country, even though there are also banks of all kinds and at different levels, funds held by all of these banks belong to the state. In accordance with regulations promulgated by the state, the deposits of business units are concentrated in banks; these deposits form the resources for national trust funds; and banks cannot, among themselves, expand their fund resources from the fund resources that they already have. If the actual situation is not taken into consideration and all parties concerned rush headlong into tapping financial resources, not only will it be impossible to tap financial resources. On the contrary, they will offset each other's strength and increase the number of various unnecessary links, this will result in waste of funds. For instance, a unit having an account with the Qiaokou Office of the People's Bank in the city of Wuhan transferred a deposit of 1.5 million yuan into a trust deposit account. As a result, deposits in the Qiaokou Office were decreased by 1.5 million yuan and the trust deposits in a trust company were increased by the same amount. No single cent was added to the monetary funds of the bank as a whole; yet, a service charge of more than 1,000 yuan was paid. This way of tapping financial

resources warrants our attention and study. We feel that if we want to tap financial resources, we should tap new ones. We should accumulate the idle funds dispersed in various sectors of our society which we are not using.

Where are the financial resources? Are there new financial resources to tap? Some comrades are of the opinion that funds of the enterprises have already been deposited in banks according to state regulations and that there are no new financial resources to tap. Judging from the deposits of individuals, banks have never slackened their efforts to draw in more savings, but the potential is limited. Therefore, it is felt that banks are no longer able to tap financial resources. We disagree. According to a survey recently conducted by units concerned, we feel that at present there are at least four fields from which banks can tap new financial resources.

First, the Monetary Funds held by Individual Economic households. Since the 3d Plenary Session of the 11th CCP Central Committee, individual economy has been rapidly restored and developed as various economic policies were progressively implemented. It is reported that at the end of 1980, there were a total of 5,545 individual industrial and commercial households registered with and granted business permits by the local industrial and commercial administrative bureau of the city of Wuhan. Based on an investigation made of 43 different trades and 543 individual economic households in the neighborhood of Hanzheng Street, we found that a vast amount of monetary funds ranging from a few hundred yuan to as much as several thousand yuan have constantly been held by single households. With this in mind, it is calculated that at least 3 to 4 million yuan of monetary funds are in the hands of more than 5,000 individual economic households in the entire municipality. The monthly sales of each of the 543 individual traders on Hanzheng Street average over 500 yuan and some traders' monthly proceeds reach as high as over 5,000 yuan. These individual households are not willing to reveal their financial status and they also fear that it will not be convenient for them to utilize their money if it is deposited in the bank. As a result, only around 10 of them have bank accounts. Furthermore, money deposited in banks amounts to only a small portion of their incomes. Most of their sales proceeds have not been absorbed by banks. According to our estimate, the total annual sales proceeds of the individual industrial and commercial households of the entire municipality may reach as high as over 40 million yuan. If 80 percent of this sum could be absorbed by the bank, the total deposits would reach the level of more than 3,200 million yuan. So far as the whole province is concerned, 100 million yuan could thus be added the construction funds. This is an enormous resource.

Second, the Monetary Funds Accumulated by the peasants After They Have become Rich. Since the implementation of the party's readjustment policies, the raising of the purchasing prices of the agricultural and sideline products, and especially since the implementation of various forms of the economic responsibility system, obvious changes have taken place in the situation of agricultural production. The amount of money put into the rural areas by the state has been greatly increased. As a result, those who are already better off have now become still richer and those poor production brigades also have gradually become rich. Incomes of the peasants are constantly increasing. The peasants in Enshi Prefecture of Hubei Province which has a population of

3.2 million people received relatively low incomes in the past, averaging less than 50 yuan per capita. Since last year, the broad masses of peasants inspired by the party's guiding principles and policies have fully utilized local resources to devote their major efforts to developing economic diversification. As a result, average per capita income excluding income from household sideline production reached over 100 yuan in the period from January through July. This was nearly double the annual income of 1980. Mei Yuncheng [2734 6663 2052], a member of the Ninth Friendship Production Brigade of the Shadi Commune in Enshi County, has a family of six and two of them are able-bodied persons. They contracted for 7 mu of land and earned an income of more than 1,000 yuan from growing tobacco and more than 400 yuan from cultivating rape. In addition, they raised seven head of hogs, and grew grain crops. Over a period of 7 months, the family had a total income of 3,500 yuan. In this entire area, better-off households having an income of more than 1,000 yuan account for 5 percent of the total households. And in some communes, the number of such better-off households amount to as high as 10 percent. In the period from January through July last year, cash put into Enshi Prefecture by the state totaled 187 million yuan, of which only 140 million yuan were withdrawn from circulation through sales of commodities and another 12 million yuan through savings. The peasants had the remaining 35 million yuan, with each individual holding an average of more than 10 yuan, four times as much as the corresponding period of 1980. Since the second half of 1981 was a busy season for purchasing agricultural and sideline products, input of money was expected to increase by a big margin. Calculating on the basis of a current per capita holding of only 10 yuan, it is estimated that the amount of money in the hands of more than 40 million peasants in the whole province was over 400 million yuan. Had half of this sum been absorbed by banks, bank deposits would have increased by more than 200 million yuan.

Third, the Idle Monetary Funds Not in the Account Books of State-run and Collective Industrial and Commercial Enterprises, and Government Offices and Public Organizations. Based on the situation revealed by our investigation, idle funds not in the account books of enterprises, and government offices and public organizations fall roughly in four different categories: the first kind is the income earned from sources other than regular business operations. Income of this kind includes admission fees of clubs, earnings from processing contracts with private parties, sales proceeds from sources other than regular business operations of the plant, and so forth. Income of this kind earned by some of these units is as high as 10,000 yuan. (Some) enterprises neither enter this sum of money into their account books nor deposit in a bank. They store the money in a safe and deem it a small property of their own. The second kind involves converting both the funds designated for special purposes and welfare funds withdrawn from the bank into cash and keeping them out of the account books in order to avoid supervision by the bank. The third kind is that some newly established collective enterprises either do not have an account with a bank or fail to send their sales proceeds to the bank even though they have accounts with the bank. Some of them send deposits to the bank, but these are only a very small portion of the total sum. The fourth kind is that much of the subsidiary income of government offices and schools as well as the cash income of school-run plants has not been deposited in the bank or not even entered into the account books.

Fourth, the Monetary Funds Held by City and Town Residents. Along with the development of industrial production, income of staff and workers in cities and towns has been steadily increasing. According to our initial estimate, nearly 210,000 more people in the city of Wuhan have been employed in the past 2 years. On the basis of a per capita wage of 36 yuan, it is estimated that income has increased by 7.56 million yuan. At the same time, wages of more than 80 percent of staff and workers have been increased after wage adjustment. Besides, additional benefits including bonuses, wages for piece work and subsidies in various forms received by staff and workers account for about 40 percent of the total income. By adding these items together, the average annual income of each staff member or worker has been increased by nearly 200 yuan. However, judged by the situation of savings deposits in the city of Wuhan, although there has been a yearly increase, yet its pace lags behind the increase in the wages of staff and workers. Both the average individual deposits and the ratio of savings deposits to the total amount of wages are lower than in other provinces and municipalities. If we reach the general level of the whole nation, we can accumulate 81 million yuan in capital funds.

As has been shown in the analysis of the above four areas, it is not that there are no new financial resources for us to tap, but rather there are broad areas of financial resources which we need to develop. Moreover, it is not impossible for banks to accumulate funds. Instead, they have bright prospects.

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CSO: 4006/387

FINANCE AND BANKING

WAYS TO BALANCE REVENUES, EXPENDITURES DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 23 Feb 82 p 1

[Editorial: "The Chief Ways To Balance the Budget"]

[Text] While further readjustments of the national economy are being made, we have, during the past year, achieved outstanding results and brought about a basic balance between revenues and expenditures by reversing the situation of the previous 2 years characterized by large deficits. Without detracting from the joint efforts made by the people of the entire country, however, we must realize that the basic balance between revenues and expenditures achieved last year was made possible mainly by reducing expenditures and is not of a permanent nature. The important mission confronting the various regions and departments and the entire people is to persevere in continuing to achieve a basic balance in the nation's finances this year. We must wage a struggle to achieve this objective by strengthening our ideological and political work and by educating and heightening the awareness of the vast numbers of staff members and workers.

The chief methods for achieving a basic balance of revenues and expenditures are to increase production, reduce expenses, avoid waste, and increase profits. For this reason, it behooves the various trades and businesses throughout the nation to explore ways and means to make profits. It is only when the wealth of the society is increased and the sources of revenue are opened wide that the problem of balancing the budget can be solved satisfactorily. During the current year we must strive to achieve a more abundant harvest, continue to speed up the development of light industries, upgrade the quality of products, promote the production of consumer commodities which are in demand, provide further services with respect to heavy industries, and increase revenues by increasing production. At the present time, enterprises are plagued by such problems as high expenditures, high production costs, low quality of products, and low profits. For instance, whereas the amount of taxes and profits of state-operated industrial enterprises in 1965 came to over 34 yuan out of every 100 yuan in the value of production, the present figure is only 26 yuan. As another example, the amount of working capital used by the enterprises for every 100 yuan in the value of production has increased [only] 11 percent compared to the figure for 1965. Once this undesirable situation is reversed and enterprise potentials are fully explored, it will be possible to bring greater wealth to society and to increase revenues.

Taxes and profits paid by the state-operated enterprises comprise the main sources of revenue for the state and play a crucial role in balancing the budget. The work of tax collection and administration must be strengthened, and the full amount of taxes must be collected within the stipulated period according to the government's tax policy. At the same time, we must keep in step with economic developments, open up new sources for taxation, restore certain taxes, and levy new taxes. During the past few years, the reform of the economic and financial system in order to give a larger measure of financial control to the enterprises has achieved good results in activating a positive attitude on the part of the enterprises and their employees and in enlivening the economy. We must continue in the direction pointed out by the reforms, refrain from going in the reverse direction, and safeguard the legitimate rights of the enterprises and employees, on the one hand, and, on the other hand, insist that enterprises take a correct view of the relationship among the government, the enterprises, and the employees, that they make further contributions to the nation, that they strictly observe financial discipline, that they put a stop to the payment of excessive bonuses and subsidies, and that they refrain from using pretexts and improper methods to misappropriate taxes and profits and siphon off revenues that belong to the state.

One important method of achieving a balance in revenues and expenditures is to drastically reduce expenditures and to utilize funds more effectively. While it is true that we cannot engage in economic construction projects without funds, it is also true that we cannot do a good job if we fail to make good use of the funds that we have. Over a period of years, the government has invested a large amount of funds to develop production and initiate various undertakings, with good results. However, due to the influence of "leftist" errors, the comrades of no small number of units have shown a casual attitude toward spending money and making profits. At the present time, the production units, basic construction units, run-of-the-mill enterprises, and administrative units tend to show a cavalier attitude toward spending money, with the result that losses and waste have assumed alarming proportions. Considering the size of the country and the plethora of organizations, it is possible to save hundreds of millions of yuan if we all tighten the purse strings a little. On the other hand, billions of yuan can easily be wasted if we relax our control over expenditures. For this reason, it is of vital importance to exercise stringent control over expenditures and to achieve higher profits from the utilization of funds. To fulfill our arduous financial mission for the current year, it is incumbent upon the comrades of the financial departments at various levels to revive their spirit, to overcome difficulties, and to go about their work with dedication in the light of existing circumstances. Leadership cadres at various levels must first engage in investigation and study in depth, have a firm grasp of the new situation and new problems in the field of finance, find new ways to solve the various financial problems, explore new methods to generate and retain profits, and exercise good judgment in the use of funds. It is our belief that if we all dedicate ourselves to the task and go about our work with one mind, we can achieve our objective of bringing about a basic balance in revenues and expenditures, and the financial situation of our country will improve year by year.

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CSO: 4006/355

FINANCE AND BANKING

'GUANGMING RIBAO' ON INVESTMENT MANAGEMENT

HK110917 Beijing GUANGMING RIBAO in Chinese 1 May 82 p 3

[Article by Jiang Jingyu [5592 4842 1342]: "An Exploration Into the Need for Strengthening Planning and Management for Credit and Loans"]

[Text] Aside from the profits and depreciation funds that each company retains in accordance with regulations, bank loans have been the main source of the funds used by local industry over the past few years to carry out consolidation, restructuring and technical transformation and to develop consumer goods and expand their export trade. The use of bank loans to meet an enterprise's credit needs both encourages the enterprise to pay greater attention to investment results and to improving management, and helps to promote the development of production and to enliven the economy. However, because there are up to 20 different types of loans, each of which is issued and managed by one of several organizations such as the People's Bank, the Construction Bank, municipal, provincial and central branches of the Bank of China and local financial bureaus, primary level enterprises often feel hopelessly confused; moreover, with money coming from so many different sources, the departments responsible for economic management also find it difficult to reach any overall financial balance, resulting in problems such as unnecessary construction and unrealistic development. This problem, which has only just been brought to the fore by economic readjustment and reform, must be examined and studied. Relatively good results have been achieved in Changzhou City where loans are issued and reviewed jointly by five commissions, five bureaus and three banks (the statistical, economic, scientific, construction and import-export commissions; the financial, goods and materials, foreign trade, environmental protection and industrial bureaus; and the People's Bank, the Construction Bank and the Bank of China).

This joint method of handling loans is the product of practical experience. In the early 70's small loans administered by the city's financial bureau were often out of step with the aims of the city's economic plans as a whole, seriously influencing the efficacy of such loans. So as to ensure that the limited funds for construction were loaned in a more efficient way and achieved greater economic results, a method was gradually worked out whereby all loans were discussed jointly by the financial, goods and materials and planning (in science and technology) departments. In accordance with needs of expanded production and the implementation of technical transformation and on the basis of the nature and scale of each project, they began pooling the funds earmarked

for small loans, technical transformation and other uses, allocating construction funds according to the local unified plan and making overall plans for the allocation of manpower and materials. In this way small loans could be made to yield visible results within the space of a single year, meaning that loans could be repaid that same year and that both production and income could be increased.

For the past few years banks have been making foreign exchange loans in an effort to make use of foreign capital to develop the production of export commodities. This has opened up another source of capital to enterprises. However, before a loan can be offered to an individual factory or enterprise the loan application must be approved by the responsible bureau, bank, foreign trade department, financial department and planning department. And even once all the necessary stamps have been obtained at the municipal level, the application must then be submitted to higher levels for approval. Should there be any differences of opinion at any level the whole process must start again. The complexity of these procedures combined with a large number of different links in the chain leads to long delays. Faced with this situation, the planning department in Changzhou decided to simplify the procedure by having the financial departments, the banks, the foreign trade departments and the goods and materials departments jointly review each application within a set period of time. Thus once an application for a foreign exchange loan had been "brought before the jury" and cleared, the case as a whole could then be submitted to the higher levels for approval. This new approach reduced the red tape involved in such applications. Moreover, because decisions are now made in a more unified manner the departments concerned work closer together in implementing the projects approved and results can be achieved in a shorter period of time. The joint administration of loans has now become common practice throughout the city and is gradually supplanting the old system. Joint review of each individual loan application and the simplified administrative procedures in no way disrupts the division of work and responsibility between different bodies. In a general sense it facilitates the introduction of an overall plan by unifying the plan for fixed capital investment.

Practice has shown that this type of joint administration has the following advantages:

1. It strengthens planned guidance and improves the selection of investment projects. There are at present many different sources of fixed capital investment each of which is managed by a wide variety of different bodies. This joint review of investment projects is favorable to bringing about an overall balance and prevents reckless development and unnecessary construction. In order to facilitate coordination it is necessary to direct investment in accordance with the city's unified plan: (1) readjustment and organization of existing industrial units should be linked with increased cooperation between these units to promote further specialization; (2) renewal of equipment should be combined with technical transformation in old factories; (3) application of new achievements should be linked with the development of new products; (4) the import of technology and equipment must be combined with the use of foreign capital to expand the import-export trade; (5) transformation of urban areas must be linked with protection, adjustment and rearrangement of the environment. On the premise of increasing production and income, we should

do things in order of importance and urgency and must pay attention to the needs of each sector. If all investment projects were to be selected in this way the failure rate could be reduced considerably. Calculations made by the People's Bank estimate that as many as 80 percent of the loans issued could yield satisfactory results.

2. Joint review also allows for greater concentration of strength, which means that projects can be started relatively quickly. Because each investment project is entered in the unified plan, once it has been approved by the responsible departments, decisions regarding allocation of manpower, supply of materials, building construction, allocation of raw materials, energy resources, and so on, must take each individual project into account. For example, the No 1 garment factory imported four sewing production lines as part of a compensation trade arrangement with Hong Kong. In order to house the new equipment it was necessary to build a 6,000 square meter air-conditioned workshop. This workshop took a total of 4 months to design and build. As the workshop was being built, the factory began training the labor force. It took another 2 months to install all the equipment and the whole project went into full operation only 6 months after work had first begun. The Dongfanghong dye-works imported a complete set of high-speed dying equipment from abroad and it was necessary to expand the factory floor space by more than 9,000 square meters. It took less than a year to demolish a small adjacent factory building, clear the land, build a new factory and install and test the equipment. And it took only 10 months to recover the whole of the initial investment.

3. It is also favorable to the linking of administrative procedures with economic measures and helps to ensure that each investment achieves relatively good results. Joint administration does not replace the system of each unit having individual responsibility. The various bodies should interact, encourage and support each other. The planning departments and other general departments should take a broader view of the rational nature of each project. Financial and trust departments, on the other hand, must take a narrower view, paying attention to the specific viability of each project. Together these two different approaches will impose economic constraints on the investment plan and will increase the sense of responsibility felt by each body. Let us take foreign exchange loans as an example. Since 1978 the city has undertaken 26 investment projects involving short-term local loans, central loans and compensation trade agreements. These projects involved the expenditure of D32.3 million in foreign exchange and 123.6 million yuan (in addition to funds raised by the departments concerned and state subsidies, bank loans accounted for 88.42 million yuan of the total investment). Of these 26 projects all but 4 have already gone into production. By 1981 total output value of these various projects had reached more than 221 million yuan and they contributed more than 44 million yuan in tax revenue. Once all 26 projects have been put into full operation their annual output value will be around 380 million yuan and tax contribution will be over 78 million yuan. On average, therefore, for every dollar invested there will be an increase in output value of 12 yuan and an increase in tax revenue of 2.5 yuan.

4. Joint review of investment projects also has the advantage of strengthening links between different units, and raising the level of administrative efficiency.

The fact that different departments must frequently consult and communicate with each other has helped to reduce both misunderstanding and shirking of responsibility. This is a relatively good way of remedying defects in the existing system.

Joint handling of loans, however, is still at the experimental stage and we still need to answer several important questions. Joint review of loans does not involve any reform of the system itself. The fact that it is a temporary measure adopted in order to bring greater unity to the plan for fixed capital investment raises the question of how such an approach will develop in the future. At present we are all agreed that this is a good way of achieving "unity," The scope and level of this "unity," however, are still rather unclear. Since different projects will fall under the management of different departments it is difficult to say which department should take the lead in each case. In the event of serious differences of opinion how can such unity be achieved? These questions are all in need of further examination and study.

CSO: 4006/445

FINANCE AND BANKING

BRIEFS

QINGHAI REVENUE, EXPENDITURE--In the first quarter, Qinghai Province scored remarkable achievements in controlling financial revenues and expenditures. According to statistics, financial revenues reached 32.6 percent of the annual budget--nearly a third of the budget, a 23.3 percent increase over the figure of the corresponding 1981 period. The province's financial expenditures in the quarter also surpassed the figure of the corresponding 1981 period by 20.78 million yuan. As compared with the provincial annual budget, both revenue and expenditure figures in the quarter are bigger than that set by the budget. [SK090752 Xining Qinghai Provincial Service in Mandarin 2330 GMT 7 May 82]

LIAONING RURAL SAVINGS--According to LIAONING RIBAO, the fixed savings deposits of rural areas of Liaoning Province totalled 876 million yuan at the end of April, accounting for 80.6 percent of the savings deposits of commune members in rural areas. Calculated in terms of rural population, each peasant has 39 yuan in fixed savings deposits. The substantial growth in the rural fixed savings deposits indicates that the broad masses of peasants in Liaoning Province have faith in state economic construction. [Text] [SK140954 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 13 May 82]

CSO: 4006/445

MINERAL RESOURCES

BRIEFS

QINGHAI GOLD PROCUREMENT--Commune members and the masses in Minhe County, Qinghai Province, have actively sold placer gold to the state. Most of the placer gold produced in the county used to be sold to profiteers. However, during the past 2 months, the peak season for gold procurement, the masses have voluntarily sold placer gold to the state to aid the four modernizations. According to statistics compiled by the county people's bank, the county procured 983 grams of placer gold from January to 10 May this year. The gold is valued at 15,000 yuan. [SK172204 Xining Qinghai Provincial Service in Mandarin 1100 GMT 14 May 82]

CSO: 4006/445

INDUSTRY

'GUANGMING RIBAO' DISCUSSES DEFENSE INDUSTRY

HK101110 Beijing GUANGMING RIBAO in Chinese 1 May 82 p 3

[Article by Wu Jiong [0702 3518]: "Defense Industry Enterprises Must Strive for Economic Results When Producing Goods for Civilian Use"]

[Text] Striving for economic results is a central problem of socialist economic construction. Defense industry enterprises must pay much attention to economic results when producing goods for civilian use. This is because first, defense industry enterprises must undergo the test of the market when producing goods for civilian use. Only those worth their price are marketable. Consequently, we must continuously improve the quality of goods and reduce labor and materials expenditure, so as to raise economic results. Second, when producing goods for civilian use, defense industry enterprises cannot rely on vast quantities of investment to carry out construction. They must rely mainly on exploiting potential and carrying out innovation and transformation, and should, through the production of goods for civilian use, accumulate more funds, so that revenue from these goods can be used to fund the defense industry. Third, as the No 2 product of the defense industry enterprises, if goods for civilian use are to be included in the state plan, more and better goods will have to be provided for the state. Therefore, they must also strive for economic results.

By producing goods for civilian use, the defense industry enterprises can score distinct economic results in a relatively short period of time. This is because bringing into play the superiority of the defense industry and making use of the defense industry's present technological equipment and technicians is faster and more economical than building new enterprises of a similar kind. However, there are at present certain defense industry enterprises whose economic results have not been ideal in the production of goods for civilian use. This has mainly been due to their inability to satisfactorily solve in a comprehensively balanced way such problems as what to produce, how much to produce, where to arrange production and how to organize production.

What should be produced? The socialist national economy is an integral whole. All departments have been developed proportionately and in a planned way. In their arrangement of the production of goods for civilian use, the defense industry enterprises must proceed from this integral whole. They must also take this integral whole as "systems engineering" to find those goods which are in

short supply throughout the country. When the defense industry department is capable of producing something, it is no longer necessary to import it or to build new enterprises. At present, there are still many goods which are in short supply in our country and are urgently required. It is not that there are not enough orders; it is just that the orders cannot be filled. Defense industry enterprises can select the appropriate goods for civilian use from among these and arrange for production.

How much should be produced? This again can be ascertained. By carrying out market forecasts and bringing about a balance among production, supply and sales, we can find a fundamentally reliable basis. We must constantly be aware of changes in the market. We must not only understand both the foreign and the domestic market and development trends, but must also find the superior-quality goods most appropriate to the needs of the market as well as their technological and economic norms. We must set our sights high. Right from the outset, we must produce superior-quality goods and formulate various plans to meet the constant changes in the market.

Where should we arrange production? Some comrades think that it does not matter where goods for civilian use are produced. They rely solely on subjective aspirations or they do as they please, with the result that some enterprises have already arranged to produce 10 to 20 kinds of ordinary goods for civil use, while some enterprises have failed to arrange for production of even one item. Production in some enterprises is not in keeping with the rational overall layout of the local economy so that the commercial departments have refused to purchase their goods. In some cases, the principle that the technology needed to produce these goods for civil use must match the technology possessed by the defense industry enterprises is being violated. Only a small part of the equipment can be used. Most of it needs to be rebuilt. Therefore, the question of where to set up production points to manufacture goods for civilian use is very important. It has far-reaching effects not only on the development of the enterprises themselves but also on the industry as a whole and the whole national economy.

How should we organize production? We must resolutely implement the principle of specialist cooperation and "centralize general assembly work and disperse the work of assembling individual components." We must first select as general assembly plants those defense industry enterprises which possess the relevant technology and are capable of producing the major component parts of goods for civilian use and of carrying out general assembly work. As for vital parts, we must select suitable enterprises within the defense industry system as a whole and arrange them into key points, so that the goods can form a complete set for the whole industry. Most components should, with the general assembly plant as the core, be assembled into complete sets in the vicinity. Take, for instance, a certain defense industry department's arrangement for wooden clocks. It has, in accordance with the foreign and domestic markets and its own production capacity, decided to select defense industry enterprises with fine processing ability as general assembly plants in the southwest, northwest and north of the country where production of goods for civilian use has been relatively slack. It has assigned the factories which are capable of making rolled steel plates the tasks of making such major parts

as springs and pendulums, so as to complete a chain of procedures in wooden clock production. It has arranged for the production of wooden cases in the neighboring forest area. As for clock dials, clock hands and other such general components, complete sets can be produced in the city where the general assembly plant is situated, so that production capacity can be built up in an even shorter space of time. On the basis of specialization, they have also integrated all enterprises with internal connections, so that production can be linked even more closely and the continuity of technology can be improved. They have scientifically organized coordination so as to achieve a new socialist productive force and economic results.

Socialist production requires unanimity between the economic results of individual enterprises and society. Therefore, when producing goods for civilian use, the defense industry departments must not only strive for economic results within an industry or enterprise, but should also proceed from the social angle and, taking the entire national economy as an integral whole, strengthen planned management and bring about an overall balance, so as to anticipate their economic results and make feasibility judgments.

CSO: 4006/446

FANG YI AT MEETING ON SICHUAN'S PANZHIHUA BASE

HK280159 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 27 Apr 82

[Text] According to DUKOU RIBAO, the State Scientific and Technological Commission, the Ministry of Metallurgy and the Sichuan provincial government have jointly held a conference on the comprehensive use of the resources of Panzhihua in 1982. The meeting took place in Dukou municipality from 12 to 17 April. Fang Yi, member of the Political Bureau, secretary of the Central Secretariat and vice premier, attended and delivered an important speech. Also present were (Ye Shixiang), a responsible person of the State Economic Commission; (Yang Jing), vice minister of the State Scientific and Technological Commission; Yang Chao, secretary of the Sichuan Provincial CCP Committee; and Zhou Chuandian, vice minister of metallurgy. Some 255 people attended the conference, comprising leading cadres, experts, teachers, and scientific and technological personnel from 93 units including the State Planning, Economic, and Scientific and Technological Commissions, the Ministry of Metallurgy, the State Nonferrous Metals General Bureau, the Academy of Science, and the Ministry of Chemical Industry.

The conference concentrated on studying how to apply the fruits of scientific research in production as quickly as possible, further shift the fruits of research to application in production, transform science and technology into productive force, speed up industrialization and organize powerful productive force in China's vanadium and titanium industries. The conference put forward the future work tasks and targets for endeavor.

Vice Premier Fang Yi said in his speech: We must clearly understand the new situation, continue to seriously implement the line and the series of principles and policies laid down since the third plenary session, and firmly follow a new road in which we rely on science and technology to forge ahead, stress economic returns, achieve relatively realistic growth rate and good economic returns, and bring still more tangible benefit to the people.

He also demanded that the cadres, scientific and technological workers and worker masses taking part in building the Panzhihua base work in concert and make ceaseless and great efforts to build Panzhihua into a modern base for the iron and steel, energy, and vanadium and titanium industries, a base for the production of many types of nonferrous metals, a base for scientific and technological experiment, and a modern comprehensive production base with simultaneous development of agriculture, light industry and heavy industry and close ties between military and civilian industries. It should become a major base in China's rear area, with prosperous economic, scientific, technological, and cultural development.

CSO: 4013/71

INDUSTRY

'ZHONGGUO XINWEN SHE' ON AUTOMOTIVE CORPORATION

HK110616 Beijing ZHONGGUO XINWEN SHE in Chinese 0939 GMT 7 May 82

[Report: "China Automotive Industrial Corporation Established in Beijing"]

[Text] Beijing 7 May (ZHONGGUO XINWEN SHE)--Today, Bo Yibo, a state councillor, met with the delegates participating in the first meeting of the board of directors of the China Automotive Industrial Corporation. He said: The establishment of the China Automotive Industrial Corporation is another major breakthrough in the reorganization of China's machine-building industry following the establishment of the general office of the China State Shipbuilding Corporation.

Under the guidance of the unified state planning, the China Automotive Industrial Corporation is an independent entity which is responsible for its own production, management and business accounting. It is a corporate body. It can do business directly with relevant departments of the state council and in all provinces and municipalities.

The China Automotive Industrial Corporation has opened an account with the Bank of China to organize its subordinate automotive joint enterprises and plants for specialized trades to carry out direct export businesses with foreign countries. At the same time, the China Automotive Industrial Corporation is responsible for importing technology, carrying out scientific and technological cooperation and joint ventures, inviting overseas bodies to visit China, sending local staff overseas on tours of investigation and training, and dispatching delegations to foreign countries.

The China Automotive Industrial Corporation will implement the general manager responsibility system under the leadership of the board of directors. This year's board of directors is made up of 29 people. At the first meeting of the board of directors convened from 4 to 7 May, Rao Bin was elected chairman of the board and Liu Shouhua vice chairman of the board. It also decided that Liu Gang should be appointed general manager, Chen Zutao Chief Engineer, Feng Ke, Zhang Xingye and Hu Xinmin Assistant General Managers, and Zhang Jianfei and Hu Liang advisers to the board of directors.

Under the China Automotive Industrial Corporation, there is the technological development department, the quality control department, the planning and trans-

forming department, the production and supplies department, the foreign affairs department, and the sales and service department. There is also a readjustment and reorganization office and an enterprise management office. Under the leadership of the general manager, these departments and offices will concentrate on their respective operations.

Many joint enterprises have been set up under the framework of the China Automotive Industrial Corporation, they include: The "Dongfeng Automotive Industrial Joint Corporation" which manufactures "Dongfeng" automobiles by the joint efforts of 9 plants in 8 provinces, municipalities and autonomous regions in under the basic supervision of the No 2 automotive manufacturing plant; the "Nanjing Automotive Industrial Joint Corporation" which manufactures "nanjing" light trucks by the joint efforts of 18 plants in 5 province and municipalities under the basic supervision of the Nanjing automotive plant. Arrangements for other organizations have also been made, they include: The "Heavy Truck Automotive Industrial Joint Corporation" which manufactures vehicles above 8 tons and cross-country vehicles above 5 tons by the joint efforts of the Jinan automotive general plant, the Xichuan Heavy Truck Manufacturing Corporation, the Shaanxi automotive plant, the Shaanxi automotive gear plant and the Hangzhou automobile motor plant; the "Beijing, Tianjin and Hebei Automotive Industrial Joint Corporation" which manufactures "Beijing" light trucks and "Beijing" jeeps in Beijing Municipality, Hebei Province and Tianjin Municipality by the joint efforts of 103 main engine and fittings plants. Furthermore, preparatory work is being undertaken for a joint corporation to manufacture "Jiefang" automobiles in the No 1 automobile manufacturing plant. Apart from these, informal discussions on readjustment and reorganizing the Shanghai tractor plant and establishing a joint company of auto fittings are being conducted.

CSO: 4006/466

INDUSTRY

NEW DEVELOPMENT OF AUTOMOTIVE INDUSTRY

HK111307 Beijing ZHONGGUO XINWEN SHE in Chinese 0847 GMT 7 May 82

[Text] Beijing 7 May (ZHONGGUO XINWEN SHE)--Talking at the first meeting of the board of directors of the China Automotive Industry Corporation, chairman of the board Rao Bin said: The Chinese automotive industry has made big progress over the past 20 years or so; relatively complete systems for product designs, testing, production, sales, service, plant designs and staff training have been formed. The establishment of the China Automotive Industrial Corporation marks a new period of development of the Chinese automotive industry.

At present, China has 73 automotive manufacturing plants, 9 of which are key plants. They are: The No 1 automotive manufacturing plant, the No 2 automotive manufacturing plant, the Shanghai automotive manufacturing plant, the Nanjing automotive manufacturing plant, the Jinan automotive manufacturing plant, the Beijing automotive manufacturing plant, the Sichuan automotive manufacturing plant, the Shaanxi automotive manufacturing plant and the Beijing No 2 automotive manufacturing plant. One hundred and thirty plants have been refitted to manufacture vehicles for special purposes, and about 2,000 plants are manufacturing vehicle fittings. The Chinese automotive industry has an annual output is 223,000 vehicles, The number of staff and workers of the whole trade exceeds 700,000.

At present, the Chinese automotive industry has stipulated plans to promote seriatim and diversified production. The past practice of manufacturing one type or a few types of products is now changed. In the past, the No 1 automotive manufacturing plant only manufactured "Jiefang" 4-ton trucks, CA 30 cross-country vehicles and high class "Hongqi" limousines. At present, it is manufacturing more than 15 types of vehicles. On the basis of manufacturing 5-ton trucks and 2-and-1/2-ton cross-country vehicles, the No 2 automotive manufacturing plant has manufactured and trial-manufactured 18 multipurpose and special-purpose vehicles.

Since the implementation of the open-door policy with foreign countries over recent years, the Chinese automotive industry has strengthened technological interflow and cooperation with foreign traders. Sixty-two delegations and more than 330 people have been sent overseas in the past 3 years to carry out negotiations on joint ventures, to import technology, investigate technology, participate in various kinds of international professional conferences, and

take part in activities organized by the United Nations or foreign firms on training programs and on the execution of contracts.

From 1979 to 1981, the Chinese automotive industry has imported 8 kinds of technology and all these imported projects are now in the course of executing the terms of the contracts. The Changchun Automotive Research Center has imported a road simulator and has completed in 26 days in indoor simulated road test of the bearing system of the CA 141 model 5-ton vehicles on 10,000 kilometer hardened road surfaces. This is equivalent to driving 150,000 to 200,000 kilometers on moderate road surfaces. This has provided a reliable basis for improving designs. Since importing devices to test vibration from France, we have tested the vibration of the frames of vehicles, driver's cabs, chasses, crankshafts, cylinders and other fittings and have mastered the latest analytical methods for testing structures and the method of data processing.

Taking products as the objective, the Chinese automotive industry has stepped forward to transform the technology of the old plants. The proposal of the No 1 automotive manufacturing plant on remodelling products and transforming technology was approved by the state council. After the transformation, the oil consumption of the new 5-ton trucks to be manufactured in 1986 will be lowered by one-quarter compared with the original consumption. We can save 800,000 tons of oil in 5 years. The proposal of the No 2 automotive manufacturing plant on carrying out construction with transformation was also approved by the state council. After the implementation of this policy, the oil consumption of the transformed 5-ton trucks will be lowered. If transformation is carried out with the 6-and-1/2-ton trucks, the oil consumption will be further lowered and we can save a total of 750,000 tons of oil in 5 years.

The reorganization of the Chinese automotive industry has made new progress. At present, the "Dongfeng" Associated Motor Vehicle Manufacturing Company and the Nanjing Associated Motor Vehicle Manufacturing Company have been established. Preparations are under way to establish the Heavy Trucks Associated Company and the Beijing-Tianjin-Hebei Associated Vehicle Company. The No 1 automotive manufacturing plant is going to establish an Associated Motor Vehicle Company to manufacture "Jiefang" motor vehicles.

In the coming years, the China Automotive Industrial Corporation will speed up renovation of products and terminate the past practice of manufacturing only one type of vehicle. On the basis of manufacturing improved CA 10C 4-and-1/2-ton trucks, the No 1 automotive manufacturing plant is now producing CA 141 5-ton and 6-ton trucks and has succeeded in remodelling the "Jiefang" motor vehicles. The Nanjing Associated Motor Vehicle Manufacturing Company manufactures new products of NJ--142 2 to 4 ton vehicles, with emphasis placed on 3-ton vehicles, and has succeeded in changing the model of "Yuejin" vehicles. The No 2 automotive manufacturing plant manufactures improved models of 5-ton and 6-and-1/2-ton and 8-ton heavy-duty trucks, 3-and-1/2-ton cross-country vehicles and other vehicles to supplement the product series. The Beijing-Tianjin-Hebei Associated Motor Vehicle Company has manufactured second-generation light cross-country vehicles, second-generation 2-ton heavy-duty trucks and has succeeded in remodelling the 212 light cross-country vehicles and 2-ton heavy-duty trucks. Furthermore, several provinces and municipalities have been

organized to establish a plant specialized in manufacturing mini-trucks. The Shanghai Associated Motor Vehicle Manufacturing Company has manufactured new-style Shanghai limousines and improved 32-ton dump trucks for mines, and has succeeded in remodelling the Shanghai limousines. The Heavy-Duty Truck Vehicle Company has manufactured a series of trucks with total weight ranging from 16 to 32 tons and has succeeded in remodelling the Huanghe motor vehicles.

The chairman of the board, Rao Bin said: The task confronting the Chinese automotive industry is both glorious and arduous, the China Automotive Industrial Corporation is determined to make contributions to reviving the automotive industry.

CSO: 4006/446

INDUSTRY

BRIEFS

VEHICLE TIRE PRODUCTION--Beijing, 11 May (XINHUA)--China produced more than 11 million sets [tao 1152] of motor vehicle tires in 1980 although the state planned target was only 9 million sets for that year. The excessive tire production was due to the unchecked establishment of small tire plants in the few years prior to 1980 because of the lucrative nature of this business. To curb the unrestrained growth, China cut its vehicle tire production target to 7.2 million sets in 1981 and assigned state output quotas to 58 tire plants instead of 78. As a result, only 7.14 million sets of tires were produced in 1981. To further reduce tire supplies, the state planned production target for 1982 was limited to 5.1 million sets. These measures taken by government departments to effectively control vehicle tire production were praised by participants of a recent national meeting of supply bureau directors. They said that the administrative intervention in the production, distribution and marketing of vehicle tires was fine and necessary. [Beijing XINHUA Domestic Service in Chinese 0019 GMT 11 May 82 OW]

LIAONING LOCOMOTIVE SURVEYING EQUIPMENT--With the assistance of some locomotive testing plants, the Dalian Internal-combustion Engine Research Institute in Liaoning Province succeeded in 1980 in building large, modernized, computerized and multi-purposed equipment for surveying and testing the performance of diesel locomotives, the first of its kind in China. This equipment can be used in spite of the influence of natural conditions. [SK161127 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 15 May 82]

JILIN PRODUCTION SAFETY--Since the nationwide unfolding of the safety-month campaign in May 1980, the level of production safety has risen markedly in Jilin Province. Since last year, there has been not any accident in which more than five people were killed. The number of persons killed in the line of duty in 1981 dropped by 46.8 percent from the lowest previous record. The number of persons seriously wounded dropped by 32.6 percent. In implementing the safety-month campaign, party, government and enterprise leadership have mobilized the people to push home the idea of putting safety above everything else. Various rules and regulations on production safety have been established or amplified. [SK161127 Changchun Jilin Provincial Service in Mandarin 1100 GMT 14 May 82]

NEI MONGGOL TEXTILE INDUSTRY--The textile industry output value of Nei Monggol region in the first 4 months of 1982 reached 181.47 million yuan, 32 percent of the annual plan and an increase of 21.58 percent over the corresponding

1981. The quality of products equaled or surpassed the requirements. [SK120830 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 May 82]

SHANGHAI INDUSTRIAL PRODUCTION--According to the Shanghai municipal departments concerned, Shanghai's total industrial output value in April increased 7.3 percent over the corresponding period of last year. The city's total industrial output value in the first 4 months of this year also increased 7.3 percent over the corresponding period of last year, with a net increase of 1.4 billion yuan. The average daily output value in April was an all-time high. In the January-April period, Shanghai's light industrial output value increased 8.2 percent over the corresponding period of last year. [OW141035 Shanghai WEN HUI BAO in Chinese 6 May 82 p 1]

JILIN INDUSTRIAL OUTPUT--Jilin Province's industrial output value in the January-April period increased 6.5 percent over the corresponding 1981 period. The output of light industry increased 9.3 percent; that of heavy industry, 4.5 percent. The economic results were better than in the previous year. Net profits earned by projected industrial enterprises increased 69.6 percent, and profits handed over to the state increased 18 percent. Deficits declined by 20.4 percent--or 21.15 million yuan. [SK120828 Changchun Jilin Provincial Service in Mandarin 2200 GMT 11 May 82]

TEXTILE INDUSTRY DELEGATION TO JAPAN--Beijing, 10 May (XINHUA)--A nine-member delegation from the Chinese Ministry of Textile Industry left here by air this morning for Japan. The visit of the delegation, led by Minister of Textile Industry Hao Jianxiu, is on invitation of Aiichiro Fujiyama, chairman of the Japan Association for the Promotion of International Trade, and Ichizo Kimura, director-general of Kansai chapter of the association. [Text] [OW100302 Beijing XINHUA in English 0253 GMT 10 May 82]

CSO: 4020/128

DOMESTIC TRADE

PRIMARY IMPORTANCE OF STABLE COMMODITY PRICES NOTED

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING]
in Chinese No 1, 20 Jan 82 pp 1-4

[Article by Zhang Qi[1728 0366]: "Maintaining the Basic Stability of Commodity Prices is of Primary Importance in Current Pricing Policy"]

[Text] The party and the state have made progress in carrying out political stability, have taken steps to implement the principle of economic adjustments and have taken a series of major actions to stabilize the economy. The consequence has been basic price stability in China. At the same time, a number of unreasonable prices were given necessary readjustments. It was not easy for the national economy to achieve such results in carrying out such major readjustments, considering the relatively difficult conditions of the nation's financial economy. The resolutions of the Fourth Session of the Fifth National People's Congress asked that the basic stability of commodity prices be maintained this year. This is the primary concern of current pricing policy. Given this premise, there also must be planned, step by step suitable adjustments of the very small number of unreasonable prices which urgently require handling. Moreover, much effort should be expended to carry out research on readjustments and formulate a plan for pricing reforms in order to make rational preparations for the gradual readjustment of China's pricing system.

In formulating commodity price policy there are two aspects which cannot be disregarded, i.e., stabilization of commodity prices and readjustments to commodity prices. If there is stabilization without readjustment, or if there is only readjustment and no stabilization there then cannot be a correct price policy for commodities. The central focus of price policy and price work must be the execution of suitable readjustments according to changes in the political circumstances. A look at present circumstances indicates that the primary concern in commodity price policy is the stabilization of commodity prices. Right now, conditions in China's economic development are quite good. In comparison with the past two years the hidden dangers in the economy have been greatly mitigated, and conditions in the financial economy have taken a big turn for the better. However, the

angers have not been completely eliminated, the difficulties in the nation's financial economy have not been basically resolved and the potential for commodity price rises still exists. First, there are excess amounts of currency in circulation, certain commodities are still in short supply and a number of enterprises have inferior economic efficiency. These are objective economic factors which could possibly lead to increases in commodity prices. Second, during the past few years the state made rather large increases in the purchase price of agricultural products, while the selling price was not raised or was not sufficiently raised. Some industrial products which use agricultural product raw materials did not have price increases, the transportation departments and processing industries were unable to decrease their consumption, cut back on expenses or increase their labor production efficiency in order to compensate for the increased expenses for the agricultural products, so their prices do not cover their expenses. Third, in the purchase of agricultural products such conditions as broad-ranging increased prices, negotiated prices and forced price rises through competitive purchasing have not been completely or effectively restrained. For such products as vegetables, meat and aquatic products as well as certain non-staple foods new production and supply conditions have emerged to threaten price stability. These problems should be given even more serious consideration in current commodity price stabilization work. Fourth, in the cities' process of promoting economic responsibility systems, the management methods and the systems of observation and investigation are inadequate so that there is a relative excess of individually initiated price increases, abnormal price rises and indiscriminate collection of costs for expenses. Conditions such as these indicate that maintaining basic commodity price stability is still a difficult task. In order to consolidate stable unity and promote progress in stabilizing and developing the national economy, our primary responsibility in commodity price work must be an effort to maintain the basic stability of commodity prices in the marketplace.

In looking back over the factors involved in the commodity price increases of 1980 and over the actions taken which stabilized commodity prices in 1981, the lesson we learned is that with regard to the current situation of basically stable commodity prices the proper execution of commodity price work was of considerable benefit.

1. It is Necessary to Achieve Overall Balance in Macro Economics.

In 1980 there were relatively large commodity price increases and there were sudden, abnormal and indiscriminate price increases in society. The basic reasons were the successive years of financial administration deficits and excessive currency in circulation beside that needed for economic development. The

basic reasons why we were greatly able to attain basic price stability in 1981 were the achievement of a basic balance in financial administration and restrictions on the issuance of currency. If 1981 had been the same as 1980, with a large deficit in financial administration and continued issuance of currency, it would have been impossible to stabilize prices and halt inflation even by the more extreme measure of a commodity price freeze. The practices of the past two years again demonstrate that, basically speaking, the ability to stabilize commodity prices depends upon developing production and improvements in the economic conditions of state financial administration. The stabilization of commodity prices is a duty which is shared by all departments in the national economy, there must be mass policies with mass efforts to enable social purchase power to have rapid increases, to improve the people's standard of living at the same rate as that of production increases so that there is a suitable supply for the means of living. The present hidden danger in the marketplace commodity prices is the excessively rapid increase in purchase power, outstripping the level of commodity supply. Unless there is an overall balance of macro economics, mere reliance on administrative management to control commodity prices will be unable to provide prolonged stability of commodity prices. It is only through overall coordinated economic development and with all economic departments and all enterprises striving to increase production, eliminate waste, reduce consumption, reduce costs, achieve maximum production with minimum investment and continually improve economic efficiency that we can provide a reliable foundation for stabilizing commodity prices.

2. The Necessity of Controls over the Purchase Price of Agricultural Products.

In 1981, China had basic commodity price stability. However, a concrete analysis shows that there was general stability or price decline for mining products while industrial products based on agricultural raw materials had price increases. Therefore, an important feature of the current basic stability in commodity prices is how to restrain the price increases in agricultural products and in the industrial products using agricultural raw materials. The control of agricultural product prices is primarily based on control of their purchase price, especially the control of price increases and negotiated prices. Because there is no consistency of thought on the necessity of stabilizing agricultural product purchase prices, there has been no obstruction of price increases and negotiated prices which exceed the state established limits, and conditions in which prices are forced upward through competitive buying of scarce items are quite severe. The consequences are that on the one hand there are increases in the state's burden, an adverse effect on the balance on financial administration, and an increase in the amount of currency in circulation, all of which harms the economic foundation of commodity price stability; on the other hand, increases in the costs of

light industry production or an upward push in retail market prices are an even more direct attack on marketplace commodity price stability. Without controls over price increases and negotiated prices for agricultural products there is no guarantee for the consolidation of basic stability of marketplace commodity prices. Ever since the Third Plenum, the state has placed the emphasis in commodity price readjustments on prices for agricultural products and has applied great amounts of financial power to raise agricultural product purchase prices. This is both correct and necessary. Compared to 1979, 1981 agricultural product purchase prices (including increased and negotiated prices for surpluses) already were higher by about 35 percent. At the same time, the selling prices for some agricultural products and industrial products based on agricultural raw materials also were readjusted, negotiated prices were restored and marketplace trading was developed. It ought to be said that after this series of readjustments and reforms had taken place there already was considerable improvement of irrational agricultural product prices in China. Generally speaking, the current level of agricultural product prices is sufficient to promote development of agricultural production and to make improvements in the peasants' livelihood. The primary contradiction in current agricultural product pricing no longer is the issue of low prices, but rather is how many years prices should be stabilized. After the countryside promotes responsibility systems and develops diversified management, the emphasis in research will be placed upon the study of the great transformations that will take place in the rural economy and in agriculture product costs and on research in price parities between industrial and agricultural products and on price parities between agricultural products. If we do not investigate the new conditions and study the new issues, but rather depend upon materials two or three years old and continue to insist that agricultural product prices are too low, the price parities between industrial and agricultural products will not be objective and will easily get out of touch with real conditions. If we rely on guidance for the formulation of policy this will have a negative effect upon the coordinated development of the Chinese economy.

3. The Necessity for Strengthening Commodity Price Management.

Before the nation's financial economy has taken a turn for the better we cannot completely or even primarily rely on economic methods to guarantee the basic stability of marketplace commodity prices. It also is very difficult to eliminate the objective economic factors which could possibly cause commodity price increases. Therefore, an important action for consolidating fundamental commodity price stability is to strengthen and give full vent to the role of all levels of commodity price management departments and work under the leadership of all government levels with reliance on administrative management techniques to strengthen observation and investigation to control commodity price increases.

in 1981, after the State Council issued the communique regarding the strict controls on commodity prices and the rectification of price negotiations, all government levels and commodity price departments relied on the broad masses to carry out commodity price investigations and, within a very short time, indiscriminate price increases and irresponsible price negotiations were brought to a halt and marketplace commodity prices tended toward stability. This created conditions which led to a full year of basic commodity price stability. The facts are further demonstrated under the socialist system, which utilizes a planned economy in which the major economic forces in society are the state-operated and collective-operated enterprises. The state has great power in applying administrative devices to control commodity prices, and with various accompanying economic measures is able to exert effective controls over commodity prices. In the effort to consolidate basic commodity price stability it is both necessary and efficient to strengthen commodity price management, centralize jurisdiction over commodity price management and continue to urge the masses to carry out commodity price investigations on a regular basis. Price is the lever in redistribution of national income and there always are price contradictions between the production and circulation departments on the one hand and the consumers, departments and prefectures on the other hand. Therefore, another important aspect in consolidating fundamental commodity price stability is for the commodity price management departments to strengthen the overall balance, make suitable adjustments between all sides and clear away these contradictions and clashes. The strengthening of commodity price management does not mean to thoroughly constrain all prices, the emphasis of management ought to be placed on prices for commodities which are closely connected with the people's livelihood. When this portion of the price structure is securely stabilized there basically will not be any adverse influences upon the living standards of the great majority of the masses. The prices for commodities of secondary importance should be allowed to increase or decrease, making suitable adjustments, according to conditions in state policy and in marketplace supply and demand.

The stabilization of commodity prices is the most important requirement in commodity price policy, but it is not the only requirement. Under the premise of maintaining basic marketplace commodity price stability, there still is a need to carry out readjustments of certain unreasonable prices. We must at all times prevent or control commodity price fluctuations and must strive to maintain basic marketplace commodity price stability. At the same time, conditions permitting, we also should carry out reasonable adjustments of those prices which are unsuitable for economic development. When there is a disassociation from basic stability in commodity price levels there are then no reasonable standards for readjusting commodity prices and the more price parities are adjusted the more chaotic they become. Just the

same, it is contrary to economic laws to reject the importance of regular readjustments either up or down of certain prices and it is incorrect to interpret stabilized commodity prices as being forever fixed and unchanging. The leverage function of prices cannot be brought into play unless prices undergo changes. Commodity price policy can achieve concrete manifestation only through the process of evaluating and ratifying prices and by readjusting prices. If prices become fixed and never change this actually negates the leverage function of prices and effectively eliminates commodity price policy. The correct principles regarding commodity price issues are that prices which must be stabilized should be firmly stabilized; prices which ought to decline should do so at the right time; for prices that ought to be increased, work must be done to create conditions, allow the conditions to develop, and then make price increases. Under the premise of basically stabilized marketplace commodity prices, utmost efforts should be taken to ensure mutual responsiveness between various prices and economic development conditions and to promote the planned proportional development of the national economy. A price freeze is an efficient temporary measure, but cannot remain in effect for long periods of time because of adverse influence on economic development. Since the founding of the nation, we have used the measure of commodity price freezes several times. Generally speaking, this was beneficial in calming the people and in stabilizing commodity prices. In 1981, the process of carrying out the State Council communique regarding strict controls on commodity prices and the rectification of price negotiations actually imposed a freeze on the marketplace retail prices for consumer goods. Considering the conditions of that time period this was both necessary and timely and achieved the predicted results.

Of course, there must be unified arrangements for adjustments to commodity prices rather than indiscriminate readjustments. This is especially true right now, when readjustments of commodity prices are of extreme importance. The scope of price adjustments ought to be made as small as possible. Except in cases where production is hard put to continue without price readjustments or where overall economic development would be damaged without price adjustments, there generally ought to be no readjustments or very minor readjustments. A concrete analysis must be made of industries which suffer deficits. Generally speaking, we now have a great deal of waste and a great amount of potential. The main path to eliminating the deficits is to improve management and administration and improve economic efficiency. When deficits occur we cannot simply plan to raise prices and transfer the deficit to the consumer or place the burden on the our nation's financial administration. The current pricing structure in China has accumulated a great many unreasonable problems which not only obstruct production and circulation but which moreover make it difficult to carry out many reforms in the economic system. Consequently, when conditions in the nation's financial administration take a turn for the better we then can make complete preparations to readjust commodity prices without influencing peaceful unity.

A look at our work in readjustments to the retail prices of consumer goods over the last two years shows that the methods of price readjustments generally can be divided into three types: 1. The combined results of the major price increases for basic necessities of the people's livelihood and the increase in the income of the masses did not influence the basic living standards of the great majority of the masses. For example, when the retail prices for eight staple foods were raised in 1979 there was a concurrent regulation providing all staff and workers with price subsidies for staple foods, there moreover was a wage increase for certain staff and workers. Increases in the purchase price for agricultural prices resulted in increased income for the peasants. 2. Price increases and price decreases for important commodities exclusive of basic necessities for the people's livelihood were clearly explained and thoroughly propagandized. An example is the November, 1981 price decrease for polyester-cotton cloth and price increase for tobacco and alcohol. 3. For general commodities, prices were allowed to increase and decrease in response to market supply and demand and cost changes, all the while maintaining the premise of not influencing the basic stability of marketplace commodity prices. The results of these practices show that while this method of price readjustments may evince problems of one kind or another in the process of implementation, they nonetheless are basically successful. These three methods of price adjustments have been and probably will continue to be the basic methods for adjusting the marketplace retail prices of consumer goods.

For a long time we have held to the principle of stabilizing commodity prices, and this is correct. However, for the past 20-some years there always have been shortages of various degrees in the supply of many commodities and wage levels have not been increased for a long time. Therefore, the task of stabilizing commodity prices is a difficult one. There must be major restrictions on commodity price readjustments and many prices which ought to be readjusted cannot be readjusted because of the necessity of maintaining commodity price stability. In actual work, the stabilizing of commodity prices very nearly became an overall requirement in commodity price work. In propagandizing the policy of stabilizing commodity prices great emphasis was always placed on the importance of stabilizing commodity prices, while little mention was made of the necessity for readjusting commodity prices. An impression gradually formed among the broad cadres: it seemed as though the stabilization of commodity prices simply meant that prices remained firm and unchanging for a long period or that prices could only decrease and could not increase, especially the prices of major commodities, otherwise commodity price stability did not exist. The broad existence of this concept made readjustments to commodity prices even more difficult. In the future, we definitely must continue to maintain a prudent attitude toward readjustment of commodity prices and must be extremely cautious in making price increases for consumer goods.

We must take into consideration the interests of the state, enterprises and consumers when making our arrangements. We must simultaneously carry out good propaganda work to enable the broad cadres and masses to have an overall understanding of the relationship between stabilization of commodity prices and readjustments to commodity prices. Moreover, in reforming the commodity price management system we must gradually change the conditions of excessive centralization and excessive unresponsiveness in price management. Following the gradual expansion of the results of economic readjustment, with a few more years of effort it will then be possible that in our price management system and in the eyes of the broad cadres and masses certain price increases and decreases will be seen as everyday occurrences in our economic livelihood.

11582
CSO:4006/373

'GUANGMING RIBAO' ON FORMULATING THEORETICAL PRICES

HK101146 Beijing GUANGMING RIBAO in Chinese 1 May 82 p 3

[Article by Jia Kecheng [6328 0344 6134]: "Why Must We Formulate Theoretical Prices?"]

[Text] In order to provide a basis for readjusting commodity prices in the future, it is necessary to formulate theoretical prices for all categories of commodities.

Theoretical prices are the opposite of actual prices. In our socialist economy, planned prices are formulated by the state and actual prices are brought into effect in the course of commodity exchange by industrial and commercial enterprises, authorized by relevant state departments. They both have legal impact. They are what Marx called "market prices" in his "Das Kapital." Theoretical prices, however, are calculated in accordance with the Marxist value theory. They correspond to the "market value" mentioned by Marx. Theoretical prices provide a basis for actual prices, for the adjustment of actual prices, and serve as the central factor for adjustment of actual prices. Some actual prices may be equal to theoretical prices, but some may be higher (such as those of cigarettes, wine and so forth) or lower (such as those of grains, cloth and so forth) than theoretical prices. The decisive factor for commodity value is nothing but labor time needed by the society, but the factors affecting commodity prices are more complicated. Besides value, which is the main determinant, commodity prices are also decided by the relation between supply and demand and the needs of certain political and economic policies. However, theoretical prices are calculated by the state, excluding all non-value factors. They are a monetary expression of value. Of course, this is not the same as that of actual prices. Theoretical prices are a theoretical monetary expression of commodity value and are generally identified with commodity value, but actual prices are not necessarily so. The calculation of theoretical prices is aimed at finding out the value of various commodities, which is expressed in monetary terms. It provides an objective basis for formulating and adjusting the actual prices of various categories of commodities. Without theoretical prices, we cannot have an objective criterion to measure the present actual prices or to improve our price work in accordance with the objective law and overcome subjectivism and blindness. So the calculation of theoretical prices is an important capital development in our work in this respect, reforming the economic management systems and promoting the development of our national economy.

The present price system in our country was developed and inherited from the old one. Although adjustments were made for some obviously unreasonable prices with reference to the costs and profit rates of relevant departments, reasonable and complete readjustments have not been made for a long time. In order to solve this problem, it is necessary to take the following two steps: First, calculate theoretical prices and second, study and solve concrete problems concerning actual prices.

Theoretical prices are applicable in many aspects. In many economic problems, we are unable to draw correct conclusions merely by using actual prices. For example, in calculating industrial and agricultural output values, as the actual prices of industrial products are higher than agricultural products, the result is usually that the net output value created by a worker and the contributions he makes to the state (profits gained for society) are much higher than those of a peasant. For example, in 1978, the average annual net output value created by a worker was 2,823 yuan while that of a peasant was only 362 yuan, with a ratio of 7.8 to 1. After the prices of agricultural products were raised in 1978, things became better, but the ratio was still 7 to 1. In order to accurately estimate the labor and contributions of the workers and peasants, we cannot do without theoretical prices. At present, some people believe that it is more beneficial to develop light industry than to develop heavy industry, because the prices of many light industrial products are higher than their actual value while those of many heavy industrial products are lower than their actual value. Thus to make a correct assessment of the economic results of light and heavy industries, it is also necessary to apply theoretical prices. In foreign trade, in order to correctly calculate gains and losses in import and export, it is even more necessary for us to apply theoretical prices. As the purchase prices for our agricultural products are much lower than those of the international market, taking only actual prices into account, people can easily come to the conclusion that it is beneficial for us to export more agricultural products. As a matter of fact, the value of our agricultural products may be even higher than that of the international market. While importing a large quantity of chemical fibers, we are exporting cotton cloth and cotton cloth products and believe that this is beneficial for us. Actually, cotton cloth and cotton cloth products, which bring lower prices in our domestic market, have a higher value in the international market, and chemical fibers, which bring higher prices in our domestic market, have a lower value in the international market. Therefore it is necessary to apply theoretical prices to correctly solve these problems. In short, whenever there is an inevitable discrepancy between prices and value, the existence of theoretical prices is indispensable.

The value of commodities is composed of C, V and M. C plus V is cost and M is profit. At present, there are differing views of the calculation of M. Some people propose to calculate it by means of the wage-profit rate. The method for concrete calculation is:

$$M \text{ equal } v \text{ (wage)} \times \frac{\text{Sum of } M}{\text{Sum of } V} \text{ (wage-profit rate), then add } M \text{ to}$$

cost to arrive at the theoretical price. Some other comrades propose to calculate M by means of other profit ratios (such as capital-profit ratio, cost-profit ratio, comprehensive-profit ratio and so forth; except for comprehensive profit ratio, the method for calculation is the same as above).

Since there are differences in our theoretical circles on the calculation of M. It is difficult for relevant departments to decide which method should be adopted in formulating theoretical prices. They have decided to try various methods to calculate several theoretical prices before further decision is undertaken for adopting a certain method, that is, to try before making a decision.

CSO: 4006/446

DOMESTIC TRADE

BRIEFS

LIAONING OPIUM SELLING--Fu County industry-commerce administrative bureau in Dalian Municipality recently cracked an opium selling case and arrested all the principal culprits. In December 1981, (Xu Zihai), a commune member in Fu County, ganged up with other commune members to go to a township in Heilongjiang Province to buy 1 jin and 3 liang of opium and resold it at a profit. In January and February 1982, (Xu Zihai) again colluded with a commune member and a statistician of a labor service company to buy 1 jin and 1 liang of opium from Wuchang County and 2 jin and 2 liang of opium from Suihua County. They resold the opium and shared the profits. [SK120644 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 10 May 82]

CRIMES INVOLVE CENTRAL SENIOR CADRES--At a panel discussion, (Mao Zhifen), member of the Beijing municipal CPPCC committee, said that Beijing had cracked down on 13,000 cases of economic crimes. The shocking thing about it is that 683 of these cases involved senior cadres of the central authorities. Criminal relatives of some important leaders of the central authorities are still at large. [Text] [OW121330 (Clandestine) Ba Yi Radio in Mandarin to China 1330 GMT 11 May 82]

CSO: 4006/446

FOREIGN TRADE

SYMPOSIUM PROPOSES MEASURES TO BOOST LIAONING'S EXPORTS

Shenyang LIAONING RIBAO in Chinese 23 Jan 82 p 1

[Article by Wang Xintang [3769 2450 1016]: "The Rate of Increase in Foreign Trade Should be Higher Than the Rate of Economic Growth"]

[Text] The recently concluded symposium on the foreign trade of the province stressed the need to take full advantage of the province's assets to develop in a positive way the export of machinery and electrical products; black, colored and rare metals; nonmetallic products; and petrochemical products; and to continue to promote the export of light textiles, handicraft and artwork products, marine products, and marine-cultured products in order to develop further the foreign trade of the province, to speedily correct the anomalous discrepancy between the limited volume of exports and our great industrial potential, and to increase the volume of our export trade at a more rapid pace than the growth of our national economy.

It was pointed out at the symposium that in order to develop production, to increase exports, and to put more and better products on the international market on a competitive basis, it is necessary to make use of foreign capital to rebuild small and medium-size enterprises and to renew technical equipment. This should be done in close coordination with the readjustment of enterprises and the reorganization of business establishments, and a plan should be formulated according to the proper procedures, after a course of action has been mapped out, after consideration has been given to the need to achieve an overall balance, and after a study has been made to ensure that the plan is practicable. Favorable treatment should be given to the extension of loans and to the repayment of loans. The various cities and regions should be granted certain powers to review and approve projects involving the use of foreign capital. Commodities imported for processing, articles imported for assembly, and imported equipment for compensatory trade should be exempt from customs duties and from taxes levied on imported industrial and commercial commodities.

To develop exports, it is essential that efforts be directed to the processing of imported commodities. To reduce the plethora of bottlenecks between the processing of imported commodities and the export of finished products, and to do away with "paper losses," taxes should be reduced or eliminated and rebates should be given to exports.

The way to reorganize the foreign trade system is to gradually place the actual operations in the hands of the enterprises and a conglomeration of enterprises, to grant such qualified enterprises as the Anshan Steel Works autonomous power in the conduct of foreign trade and, simultaneous with the reorganization of the foreign trade system, to adopt a uniform position in dealing with foreign countries and to exercise united leadership so that enterprises may pursue their operations separately under flexible but not chaotic control.

In order to further promote foreign trade, a decision was made to establish a provincial import and export administrative commission to serve as a comprehensive department of the provincial government in the administration of foreign trade operations.

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CSO: 4006/355

FOREIGN TRADE

EXPAND FOREIGN TRADE; SPEED UP ECONOMIC DEVELOPMENT

Jinan DAZHONG RIBAO in Chinese 9 Feb 82 p 1

[Editorial: "Strengthen Foreign Trade and Speed Up the Development of the National Economy"]

[Text] Since the adoption of the open door policy following the Third Plenary Session of the 11th Party Central Committee, there has been a considerable increase in our [Shandong/ province's foreign trade. In the 3-year period between 1979 and 1981, the total purchase price of our export commodities has increased by 1.43 billion yuan, at an annual average of 23.8 percent. The inflow of foreign exchange from the sale of export commodities has increased by \$1.06 billion, at an average annual rate of 31.7 percent. It should be noted that through the development of foreign trade, we have continued to acquire expertise, show progress in our work, and make significant achievements. However, we must also admit that not a few of our comrades have yet to free themselves from the bonds of the self-contained economic outlook of the small farmer and appreciate the importance of foreign trade and the strategic role that it plays in the national economy. Consequently, their field of vision is limited, their methods lack flexibility, and the measures they have adopted are ineffective.

In going about our socialist modernization construction, we must firmly adhere to the policy of relying more on our own efforts than on foreign assistance. Reliance on our own efforts does not mean isolationism, however, and self-reliance cannot be equated with self-sufficiency. It is also a form of self-reliance to rely chiefly on our own efforts while freely making use of foreign capital, foreign technology, and foreign expertise to promote the development of our own economy. In the past few years our province, by making use of foreign capital and foreign loans, has brought in advanced technology and essential equipment to renovate and rebuild over 330 medium and small enterprises, to upgrade their products, and to fill in certain gaps in the industrial sector. By means of compensatory trade, the No 1 Knitting Factory in Qingdao, using less than \$1 million to import essential equipment from abroad, has been able to pay for the cost of the equipment within a period of 2 years through the sale of its products, to substitute quality products for inferior products in the international market, and to replace equipment of the 1930's and 1940's with equipment that meets the standards of the 1970's. Our province has been able to rebuild old enterprises, upgrade their technical standards,

develop a corps of rank-and-file workers, and strengthen our ability to stand on our own feet. It is a proven fact that the vigorous development of our foreign trade and the import of technology on a large scale have contributed greatly to the upgrading of our products, the modernization of our industries, and the acceleration of the economic development of our province.

It is a sharp contradiction that, blessed with a large population and abundant resources, our province is small in size and backward in economic technology. To resolve this contradiction and achieve the strategic objective of attaining a "moderately affluent" status by the end of the century, it is definitely not sufficient to the county [solely] on agricultural production in the rural areas. It is absolutely essential to direct our efforts toward the development of diversified operations and the commune enterprises as producers of commercial commodities. This in turn depends to a large degree on the development of foreign trade. Many of the diversified operations and the production of the commune enterprises have been made possible by the development of our foreign trade. Export trade has made it possible to invest over 1.5 billion yuan annually out of the total value of our agricultural sideline and handicraft products in the rural areas—a per capita rate of over 20 yuan. This constitutes a large portion of the income derived from agriculture. Unless a positive effort is made to develop foreign trade, it will not be possible to diversify operations or add to the income of the masses. Viewed from another angle, the solution of the problem characterized by our province's large population, limited size, and labor surplus must also depend to a large extent on the development of foreign trade and diversified operations. During the past few years we have, through the development of foreign trade to meet the needs of the international market, made use of our imports to develop our exports, imported raw materials for processing, developed labor-intensive products for export, and provided employment to over 2 million surplus workers. With the development of mechanized farming, the labor surplus problem is likely to become more acute. Aside from the labor force required to work on the farms, our province has between 10 to 15 million additional laborers who could be put to work in various diversified operations. Unless the export trade is expanded, it will be most difficult to provide jobs for this labor pool. This labor surplus affects not only the income of the masses but social stability as well. We must also realize that the development of our export trade is, generally speaking, an important measure for promoting production, enlarging sources of revenue, and easing the financial difficulties of our province. The present value of the export commodities of the entire province comes to over 3 billion yuan. If we can double this amount, we will have over 6 billion. If the industrial and business tax is pegged at 5 percent, over 300 million yuan will be added to our revenues. It can be seen, therefore, how important export trade is as a source of revenue.

Party committees, governments, and economic departments at various levels must look at foreign trade from the strategic angle of the development of the entire economy and come to fully appreciate the vital role it plays in speeding up the technical reform of the national economy, in promoting the development of the production potential in society, and in bettering the living standard of the people and the masses. Unless we keep in sight the strategic objective of economic development, we will not be able truly to appreciate the strategic

importance of foreign trade. It is only when we fully appreciate the important role of foreign trade that we can further liberate our thinking, strengthen our leadership, make full use of our assets, and adopt various measures to use our imports to develop our exports, to take advantage of what is foreign to strengthen our own position, to establish a link between industry and trade, to enlarge the volume of exports, and to increase technical exchange so as to speed up the development of the national economy of our province and to further contribute to the work of constructing the four modernizations.

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CSO: 4006/355

FOREIGN TRADE

'RENMIN RIBAO' ON INTERNATIONAL TRADE COUNCIL

HK071010 Beijing RENMIN RIBAO in Chinese 4 May 82 p 4

[Article by the Research Office of the China Council for Promotion of International Trade: "Promoting Economic Relations and Trade with Foreign Countries for 30 Years"]

[Text] Today is the 30th anniversary of the founding of the China Council for Promotion of International Trade [CCPIT]. For 30 years, with the support of departments concerned inside the country, the CCPIT has kept on expanding its scope of business and its foreign connections in all parts of the world. Since the 3d plenary session of the 11th CCP Central Committee, there has again been a new development in various kinds of work. It has established friendly relations with over 350 economic and trade groups, exhibition organizations, legal affairs organizations and business circles in more than 150 countries and regions throughout the world. The CCPIT has already become a nongovernmental organization with extensive international connections promoting China's foreign economic and trade relations as well as friendly relations from many sides. It has been praised as the "trade link" and the "bridge of friendship."

Three decades ago, for the sake of opposing the imperialist policy of blockade and embargo and establishing international trade relations on the basis of equality and mutual benefit, more than 470 well-known businessmen, economists, cooperative workers and trade unionists from 49 countries held an international economic conference in Moscow in April 1952. The conference passed a resolution on eliminating man-made obstacles and developing normal international trade and urged the various countries attending the conference to set up relevant organizations for the promotion of trade. This was the historical background from which the [CCPIT] emerged.

During the 1950's, even though many countries had still not yet established diplomatic relations with China, the CCPIT had maintained contact with the economic and trade circles of many Asian, European and Latin American countries and promoted trade relations with these countries.

In the 1960's, for the sake of strengthening unity and cooperation with the developing countries and exchanging economic experience with developing nations, the CCPIT actively participated in the economic discussions, cooperation meetings and other international activities promoting economic and trade relations

as well as friendly cooperation held by some of the Asian and African countries.

At the same time, the CCPIT also signed nongovernmental trade agreements as well as agreements for the mutual setting up of agencies with the economic and trade organizations of European and Latin American countries and also set up offices in these countries. This was a new development in our trade relations with Europe and Latin America at that time.

By the 1970's, there was a great increase in the number of countries which established diplomatic relations with China, and official intercourse gradually became more frequent. In the economic and trade field, there was also a greater development in nongovernmental contacts and exchanges. Before the establishment of formal diplomatic relations between China and the United States, the CCPIT had all along been the contact point for economic and trade relations between the two countries. After the establishment of diplomatic relations between China and Japan, in line with the principle of not forgetting old friends and extensively making new friends, we continued friendly intercourse and business dealings with nongovernmental Japanese economic and trade organizations and enterprises and promoted the development of economic exchange and cooperation between the two countries.

One of the major activities of the CCPIT is holding economic and trade exhibits abroad or participating in international expositions. In the last 30 years, the CCPIT has held over 340 economic and trade exhibits in more than 100 countries to show world people China's new achievements in construction and prospects in foreign trade development. At the same time, the CCPIT has also hosted more than 150 exhibits from 25 countries. This has played a positive role in promoting trade intercourse and mutual understanding. The CCPIT has also published "Chinese foreign trade" to introduce our trade policies and trade conditions. It has compiled and published a magazine entitled "Foreign Products and Technology" to introduce relevant technological data inside the country.

In recent years, the CCPIT has also urged some of the state economic and trade organizations and enterprises to cooperate with some of our relevant localities, departments or enterprises in such fields as energy conservation, prevention of pollution, transfer of technology, joint ventures, processing of material on consignment basis, technical transformation of old enterprises and improving the production techniques of certain products.

For the sake of adapting to the demands of the new situations and tasks, the foreign trade arbitration setup of the CCPIT has also expanded its scope of business and set up a legal consultation office to supply such services as giving legal advice and acting as proxy for relevant organs and individuals both in China and abroad.

In the new period of our socialist modernization, the CCPIT will, in accordance with our national construction policy and foreign policy, introduce advanced technology and make use of foreign capital in the development of foreign trade, and more fully bring its promotional role into play in all aspects of economic and technological exchange and cooperation between China and foreign countries

and in the service of our socialist modernization. The CCPIT will further tighten and increase friendly intercourse and business connections with economic and trade organizations, enterprises and businessmen abroad, actively develop intercourse and cooperation with each other, and play the role of an intermediary in promoting and pushing forward intercourse and cooperation between them and our departments, localities and enterprises.

Looking back on the path taken by the CCPIT and toward the beautiful vista of the modernization of the motherland has further inspired us to do all we can to vitalize China and to carry out the four modernizations.

CSO: 4006/445

FINANCE AND BANKING

BRIEFS

SAVINGS BANKS--Beijing, 11 May (XINHUA)--The number of savings banks across the country will exceed 12,000 by the end of 1982, 3,800 more than in 1980, according to today's "China Finance and Trade Journal." So far 9,900 savings banks--all branches of the state-owned People's Bank of China--have opened for business, including 549 in 1981. Eight hundred more banks are expected to open soon. Construction of another 1,800 banks is under way, the journal said. The difficulty that people have experienced in depositing money has been relieved as new savings banks have opened and old ones have been enlarged since April 1981, the journal said. China's urban savings deposits were 38,396 million yuan in the first 3 months of this year, and rural savings deposits were 24,050 million yuan, according to the People's Bank of China and the Agricultural Bank of China. [Text] [Beijing XINHUA in English 1246 GMT 11 May 82 OW]

CSO: 4020/129

Railway Communications

AUTHOR: TANG Jiaxue [0781 1367 1331]

ORG: None

TITLE: "Concerning the Capacitance of Ordinary Signal Cables"

SOURCE: Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATIONS AND SIGNALS] in Chinese No 3, Mar 82 pp 15-16

ABSTRACT: Under the signal system currently in effect in China, the cable capacitance must be small. When it is excessively large, some abnormal phenomena will occur, for example: if a core-line is connected to one pole of the power source and other core on the ground, the bulb will light up; if the bulb filament is broken, the filament relay will still pick up; if the fuse of one pole of the relay is broken the relay will still pick up. When such is the case, the circuit condition cannot be correctly reflected and there will be a stepped-up display of signal. For example, if the green-yellow signal is to be displayed and the filament of the yellow light is broken, the filament relay will not drop because the cable capacitance is large so that the circuit of the signal relay is not cut off. Consequently, the green signal light will be displayed, and this is a stepped-up from the green-yellow signal to the green signal. When the cable is produced by the plant, the capacitance may meet the regulation requirement but in the process of transporting, installing, and using, such as burying the cable under the ground, damaged insulation to cause the core to become damp, etc. the capacitance of the cable may in-

[continuation of TIEDAO TONGXIN XINHAO No 3, 1982 pp 15-16]

crease. In foreign countries, such as the urban telephone cable of England petroleum jelly is used to prevent dampness and to form a verticle seal. If this problem is taken into consideration in the process of manufacturing the plastic cable cover to improve the sealing property of the cover, the useful life of the cable may be prolonged while a great deal of the maintenance work may also be reduced.

6168

CSO: 4011/83

Railway Communications

AUTHOR: QI Zulin [4359 4371 2651]

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TITLE: "Application of Fuse Box in Railway Signalling"

SOURCE: Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATIONS AND SIGNALS] in Chinese No 4, Apr 82 pp 9-12

ABSTRACT: To date, overload and short circuit of electrical equipment in railway signalling systems are almost always controlled by fuses. Prolonged practice has proved the basic reliability of the protection system composed by fuses, but the location of the fuse box, the selection of fuse capacity, and maintenance of the system remain less than perfect and necessary troubles are often caused by these problems to affect directly the normal performance of the signalling equipment. Sometimes, the trouble may spread causing extremely serious accidents or fire. This paper attempts to explain several types of fuses commonly used for railway signalling, the basic requirements of fuses, special characteristics of fuses used in signalling systems, and important items regarding the location of the fuse box, its application, and its maintenance.

AUTHOR: HU Xiande [5170 2009 1795]

ORG: None

TITLE: "Automatic Blocking: Chapter I: The Concept of Automatic Blocking"

SOURCE: Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATIONS AND SIGNALS] in Chinese No 4, Apr 82 pp 19-21

ABSTRACT: For the purpose of helping workers of the railway signalling system to learn and to understand the advanced signalling technology and equipment that have already been adopted in China, the journal requested related specialists to provide reference materials to constitute this series of lectures. There will be four in the series, to introduce the concept, the efficiency, the work theory, and the development prospect of automatic blocking. This paper is the first of the series. The paper begins with explaining that the signal equipment in a block section is to guarantee that only one train can operate in the block section. A short history of block techniques adopted in China follows before introducing the triple-display system of green, yellow, and red lights, currently being practiced in China. The four-light system of an additional yellow-green light practiced in some foreign countries is not yet introduced due to the different concrete condition of Chinese railways. This paper is to be continued.

6168

CSO: 4011/99

Railway Construction

AUTHOR: None

ORG: Engineering Division, Jinzhou Railway Bureau

TITLE: "Continuous Improvement of Overall Management Quality With Budgeting and Guaranteed Work Performance as the Main Policy"

SOURCE: Beijing TIEDAO JIANZHU [RAILWAY CONSTRUCTION] in Chinese No 3, Mar 82 pp 16-19

ABSTRACT: For the purpose of finding ways to improve the quality of management, the authors have spent a long time groping and searching. In 1979, construction budget plans and in 1980 construction design plans were initiated; a system of accounting for every team and group was introduced to divide responsibilities among various labor divisions. Later, construction quality was made into a special department. All these programs brought some benefits but none was ideal and the benefits were by no means stable. Toward the end of 1980, efforts of previous years were given an overall analysis. It became clear that the method of comprehensive awards is not as effective as awards according to accumulated points, a limited piece-work system is better than an unlimited piece-work system, and guaranteed performance is better than unlimited piece-work in terms of increasing the benefits of the workers and raising the rate of labor efficiency. Early in 1981, a system of budgeting and guaranteed performance was finalized. The guarantees include guaranteeing the duration of a construction project, the quality, the material consumption, the num-

[continuation of TIEDAO JIANZHU No 3, 1982 pp 16-19]

ber of man-days, safety, etc. These guarantees are acknowledged as the means to achieve the objective which is an overall improvement of quality. The concrete procedure of carrying out this system, the beneficial effects, the experiences gained since its inception are briefly introduced.

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TITLE: "A Survey of the Troubled Tunnels in the Mu-hu Section of the Xiang-Yu Line"

SOURCE: Beijing TIEDAO JIANZHU [RAILWAY CONSTRUCTION] in Chinese No 3, Mar 82
pp 23-24

ABSTRACT: The Mu-hu Section of the Xiang-Yu Line [from Xiangfan of Hubei Province, through Ankang of Shaanxi, to Chongqing of Sichuan, the railway line measures 916 km in its entirety.] is located in the midst of mountains of Northwestern Hubei. The section is managed by the Wuhan Railway Bureau. The stratigraphic structure of the region is extremely complex, with mica quartz schist, gravel, sandstone, diorite, metamorphosed volcanic rocks, etc. The weathering condition is very severe. The line has 76 tunnels, measuring a total of 34,790 m. It was designed by the Survey and Design Academy No 4 of the Ministry of Railways, having a minimum curve radius of 700 m and a maximum grade of 12⁰/100. The line was completed in 1973, and electrification began in Nov 80. As the load continues to increase, troubles of the tunnels become more and more severe. At present, 54 tunnels, measuring 547.4 m, have sprung leaks. Drops of water turn into a stream during rainy season to fall directly on the contact network of the electrical cable to affect the safety of the trains; cracks have appeared on the walls of 74 tunnels; 20.5 percent of the road-bed are damaged and mud and water accumulate in the holes and cracks; the tunnels

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have no light to make maintenance and repair work extremely difficult and to threaten the safety of the trains and passengers. The causes of all these troubles are analyzed. As the causes are very complex, the paper suggests that continuous survey and investigation are needed to accumulate data for further analysis of the causes so as to create favorable conditions for future repair and maintenance work.

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TITLE: "Locomotive and Energy Conservation"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 82
pp 4-6

ABSTRACT: The locomotive is the drawing power in railway transport. It converts the heat energy of coal and oil into mechanical energy to operate the trains day and night. At present, energy cost amounts to 25 percent of the cost of railway operation. Continuous reduction of the energy consumption of locomotives is one of the major targets of technological and economic improvement of railways. For more than 20 years, there have been passionate debates in China regarding the subject of internal combustion locomotives versus electrified railroads. The paper compares the efficiency of converting heat energy to mechanical energy in case of the steam, the internal combustion, and the electrical locomotives to arrive at 8.42, 30, and 20 percent respectively. With the electrical locomotive, the efficiency is calculated in terms of thermal power generation, including losses at the power plant and during power transmission. The paper thus concludes that the future should belong to the internal combustion locomotive with some development of electrification. For some time to come, steam locomotives will still dominate China's railways and the major problem will remain replacement using newer steam locomotives designed to save coal and reduce pollution.

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TITLE: "Introducing China's Railways in Forests"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 82
pp 6-7

ABSTRACT: At present, China has 36 railway lines operating in the forests, totalling 11,000 km, transporting 10 million m³ of timber a year. Of these 18 lines are in Heilongjiang Province. The largest is the one in Chaihe Forestry Bureau. It is 560 km in length and transports more than 600 thousand m³ in a year. The line of Dahailin Forest Bureau measures 421 km, and transports close to 600 thousand m³ a year. Both bureaus are in Mudanjiang Prefecture. Suiling Forestry Bureau and Tonghe Forestry Bureau of Harbin Prefecture also have forest railways. Jilin Province has 10 forest railroads, totalling 4,000 km in length, distributed in Yanbian Korean Nationality Autonomous Prefecture and Tonghua Prefecture. The trunk line of Dumhua Forestry Bureau is as long as 102 km. Songjianghe Forestry Bureau has a radial-shaped railway in the forest region. It is relatively shorter, only 30+ km. Other bureaus having railways include Huangnihe, Dashitou, Linjiang, etc. The forest region of Nei Menggu has fewer lines. All its 5 railways are in Yakeshi forest region. Shunchang of Fujian Province, Ganzhou of Jiangxi Province, and Ruyang of Guangdong Province have one line each and none of these is longer than 100 km. These are the last ones built in the country.

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TITLE: "A New Star Among Thermal Powered Locomotives--the Gas Turbine Locomotive"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 82 pp 8-9

ABSTRACT: In 1969, China produced her first 3,000 hp AC-DC electrical transmission gas turbine locomotive, Changzheng I. The Changzheng II 4,000 hp locomotive was produced in 1977. The former has now been operated for 60,000 thousand km and the latter 5,000 km. Neither has had any trouble. When the price of the heavy oil, which is the fuel of the 2 gas turbine locomotives, is compared with that of diesel, under the same load condition, the operating cost of Changzheng II only amounts to 47.18 percent of that of the diesel locomotive. A 7,000 hp gas turbine locomotive is being designed. The maximum locomotive efficiency of the new one is going to be 31.4 percent higher. Railway research scientists are continuing their efforts to study, improve, and design gas turbine locomotives of 8,000 to 10,000 hp. This paper provides a brief description of gas turbine locomotives and introduces their advantages in energy conservation, low manufacturing cost, structural suitability for cold and arid regions, and easy adaptability to automation. The 4,500 hp and 8,500 hp gas turbine locomotives of the USA and the 3,500 hp gas turbine locomotives of the USSR are briefly mentioned.

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